REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND

# FOR THE YEAR ENDED 30 JUNE, 2023

Tabled on 30th April, 2024 at 2.30 p.m.

OFFICE OF THE AUDITOR GENERAL
SOUTH RIFT REGIONAL OFFICE
KERICHO
06 FEB 2024
RECEIVED
P. O. Box .....KERICHO

# BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2023

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)**

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## 1. ACRONYMNS AND GLOSSARY OF TERMS

### a) Acronyms

| | |
|---|---|
| CPA (K) | Certified Public Accountants, Kenya |
| CS (K) | Certified Secretary, Kenya |
| CSR | Corporate Social Responsibility |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IHRM | Institute of Human Resource Management |
| IPSAS | International Public Sector Accounting Standards |
| NTSA | National Transport and Safety Authority |
| PFM | Public Finance Management |
| PSASB | Public Sector Accounting Standards Board |
| Kshs | Kenya Shillings |
| SRC | Salaries and Remuneration Commission |

### b) Glossary of Terms

Applicant - a state or public officer in the Bomet County Public Service

Committee - Car Loans and Mortgages Management Committee established under regulation

Borrower - a person in receipt of a loan facility out of the fund

Financial Year - period of twelve months ending on the 30th June in each year

Fund - Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund

Fiduciary Management - The key management personnel who had financial responsibility

## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

The purpose of the fund is to provide loans for the purchase of vehicles by members of the scheme.

Bomet County Government Car Loan and Mortgage Fund is established by and derives its authority and accountability from Section 116 of Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Bomet County Government and is domiciled in Kenya.

The Fund was operationalized under the Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. The Fund began advancing car loans and mortgage to members of the County Executive in July 2018.

The fund's objective is to provide financial assistance to provide loan scheme for the purchase of vehicles, purchase and/or development or renovation or repair of property by members of the scheme. The Fund's principal activity is to disburse loans to members.

### b) Principal Activities

The principal activity/mandate of the Fund is to provide car loans and mortgage to members (State and Public Officers).

### c) Fund Administration Committee

| Ref | Name | Position |
|---|---|---|
| 1 | Erick Chepkwony | Chairperson |
| 2 | John Mark Langat | V. Chairperson |
| 3 | Simon Sang | Member |
| 4 | Kipngetich Towett | Member |
| 5 | Kipkorir Mutai | Member |
| 6 | Charles Koech | Fund Administrator |

### d) Key Management

| Ref | Name | Position |
|---|---|---|
| 1 | Erick Chepkwony | Chairperson |
| 2 | John Mark Langat | V. Chairperson |
| 3 | Simon Sang | Member |
| 4 | Kipngetich Towett | Member |
| 5 | Kipkorir Mutai | Member |
| 6 | Charles Koech | Fund Administrator |

### e) Fiduciary Oversight Arrangements

The key fiduciary bodies at the County for the year ended 30th June, 2023 were:

1. Directorate of Internal Audit
2. County Assembly of Bomet Committee on Finance, ICT and Economic Planning
3. County Assembly of Bomet Public Accounts/Investments Committee and
4. Budget and Appropriations Committee

### f) Registered Offices/Fund Headquarters

P.O. Box 19 – 20400
Bomet, Kenya
Off Narok Sotik Highway

### g) Fund Contacts

Telephone: (+254) 0202084070
E-mail: clmf@bomet.go.ke
Website: www.bomet.go.ke

### h) Fund Banker

Equity Bank-Bomet Branch

A/C No:1220277299764

### i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 – GPO 00100
Nairobi, Kenya

### j) Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

### k) County Attorney

The County Attorney
County Government of Bomet
Office of the Governor
P.O. Box 19-20400
Bomet

## 3. THE FUND ADMINISTRATION AND MANAGEMENT TEAM

During the Financial Year Ending 30th June, 2023, the fund was administered by the following committee members:

| Name | Details of qualifications and experience |
|---|---|
| CPA Erick Chepkwony  | Mr. Chepkwony is 35 years old and currently the Chief Officer, Finance. He has master's in Business Administration (Accounting), Bachelor of Commerce (Accounting) and CPA(K) Holder. He has over 10 years working experience most of which in different capacities. He is the chairperson of the fund |
| Mr. John Mark Langat  | Mr. Langat is the County Attorney and is 50 years old. He holds Bachelor's Degree in Law (LLB) from Nairobi University and Diploma in Law from Kenya School of Law (KSL). He was admitted as Advocate for High Court in 1998 and He has over 20 years litigation experience. He is the vice chairperson of the fund. |
| Mr. Simon Sang  | Mr. Sang is 41 years old and is the Director Human Resource Management at the County. He has Bachelors and Higher Diploma in HRM with over 13 years working experience. He is a Member of IHRM with practicing certificate. He serves as a member of the fund |
| Mr. Kipkorir Mutai  | Mr. Mutai was born in 1980 and is serving as the County Fleet/Transport Manager. He has over 15 years working experience. He holds Bachelors in Automotive Engineering and finalizing on Masters in Strategic Management. He serves as a member of the fund |
| Mr. Kipngetich Towett  | Mr. Towett is 43 years old and serves as the Director Revenue in the County. He has over 15 years working experience. He holds Master's Degree in Education, Bachelor of Education, Post Graduate Diploma in Management and CPS (K). He serves as a member of the fund |
| Mr. Charles Cheruiyot Koech  | Mr. Koech is 41 years old and is the Director ICT at the County. He has Masters in IT, Bachelor's Degree in Computer Science, Post Graduate Diploma in Project Management and Senior Management Course (SMC). Koech has over 15 years working experience. He is the fund administrator and secretary to the fund. |

## 4. FUND CHAIRPERSON'S REPORT

It is my humble pleasure to present to you the Annual Report and Financial Statements for the year ended 30th June, 2023 on behalf of the Bomet County Car Loan and Mortgage Scheme Management Committee

### Changes in the Fund Management during the year

During the Financial Year, due to changes in the Chief Officers, CPA Bernard Cheruiyot and Ms. Milcah Rono (both served as CO Finance) were replaced as chairperson of the fund by CPA Erick Chepkwony. Furthermore, two members of staff (Mr. Kipngetich Towett and Mr. Kipkorir Mutai) were appointed by the County Secretary as per Section 6 (1)(d) of the Car and Mortgage Loan Regulations.

### Fund Performance

The Fund had balance brought forward from FY 2021/22 of Kshs. 275,876.62. An additional Kshs. 63,000,000 was received from the exchequer during the financial year under review. During the year, Kshs. 12,362,435 and Kshs. 43,200,000 were disbursed as Car Loan and Mortgage respectively.

### Strategy and Future outlook of the Fund

The disbursement of funds during the year benefited both the State Officers and the Public Officers. The Governor, County Secretary, County Executive Committee Member, Chief Officers (2) and Medical Personnel (2) benefited from the scheme in fund's spirit of attracting, motivating and retaining qualified civil servants in the public sector. The Fund will continue disbursing loans to both State Officers and the Public Officers in future. It is hoped that more budget will be allocated to the Fund so as to benefit more staff as the facility has started attracting lots of interests from public officers.

### Conclusion

The committee administering the fund is fully committed to maximizing stakeholders' value and assisting the County in fulfilment of Section 12 (7) of the County Governments Act 2012 while fulfilling the spirit of the Salaries and Remuneration Commission of attracting, motivating and retaining qualified workforce.

COUNTY GOVERNMENT OF BOMET
CHAIRPERSON
27 SEP 2023
CAR LOAN AND MORTGAGE SCHEME

..... Date 27-9-2023

**CPA Erick Chepkwony**
**Fund Chairperson**
**County Government of Bomet Car Loan and Mortgage Scheme Fund**

## 5. REPORT OF THE FUND ADMINISTRATOR

In accordance with PFM Act (2012), Bomet County Car Loan and Mortgage Scheme Fund Regulations (2018) and SRC circular, the County Government of Bomet Car Loan and Mortgage Scheme Fund hereby presents the report for the FY 2022/23 covering the period 1st July, 2022 to 30th June, 2023.

From the chairperson's report, The Car Loan and Mortgage Scheme Fund had balance brought forward from FY 2021/22 amounting to Kshs. 275,876.62 with additional disbursement of Kshs. 63,000,000 from exchequer during the financial year. During the period, there was a total disbursement (Both Car and Mortgage) of Kshs. 55,562,435 with principal repayments received totalling Kshs. 13,605,764 with interests of Kshs. 1,174,532. During the period, Kshs. 341,400 was incurred as administrative costs which included committee allowances paid as per SRC Circular dated 16th April, 2014 and Ministry of Devolution and Planning Circular dated 2nd August, 2013. A further Kshs. 254,283 and Kshs. 34,800 were incurred for payment of insurance premiums and publishing respectively. Bank charges incurred during the year was Kshs. 3,480.

Overall, a total of forty-five (45) staff have benefited leading to total disbursements to date of Kshs. 159,979,550 arising from loan disbursements in the Financial Years 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 amounting to Kshs. 45,153,791, Kshs. 11,300,000, Kshs. 21,263,324, Kshs. 26,700,000 and Kshs. 55,562,435 respectively.

The challenge experienced during the period was migration of staff into Integrated Payroll & Personnel Database (IPPD) which affected remittances of deductions of some beneficiaries.

In the Financial Year 2022/23, the Fund had been allocated Kshs. 13,000,000 which was enhanced to Kshs. 100,000,000 during the Supplementary Budget. However, Kshs. 63,000,000 (63%) of the funds were released and going forward, the Fund is expecting that exchequer will release the allocated funds in the budget given that uptake for the loan is expected to increase.

In order to minimize loan risks, the committee of the Fund undertakes due diligence prior to approval of loans. For mortgage, all title deeds are charged while for car loan, the vehicle joint registration between the loan beneficiary and the County is initiated and approved prior to release of the approved loan. However, it was noted that at times NTSA rejects some joint registration of the vehicles, a problem the County Transport Manager has taken it up to avoid future recurrence of the same. The Scheme has further taken an insurance cover for the loans and the members against any potential risk such as death or any other natural factors.

As a team, we are committed to serving public better every day while adhering to existing regulations governing management of the Fund. We are focusing on future goals including improving the welfare of our staff that will build our County to greatness.

COUNTY GOVERNMENT OF BOMET
FUND ADMINISTRATOR
21 SEP 2023
CAR LOAN AND MORTGAGE SCHEME

Signed: _____

**Charles Koech**
**Fund Administrator**
**County Government of Bomet Car Loan and Mortgage Scheme Fund**

## 6. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

### Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

### Strategic Development Objectives

The County's 2023-2027 County Integrated Development Plan (CIDP) has identified 82 key strategic priorities. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's Agenda and Sustainable Development Goals (SDGs) and the Medium-Term Framework (MTF) IV.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key objectives in Bomet County's 2023-2027 CIDP that are relevant to the Car Loan and Mortgage Scheme Fund are to:

i. Attract, motivate and retain qualified workforce through provision of low interest car loan and mortgage

ii. Ensure availability and sustainability of revolving car and mortgage loans

### Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable,

achievable, realistic and time-bound (SMART) and converted into development outcomes. Performance indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

**CAR LOAN AND MORTGAGE SCHEME FUND**

| Fund/Scheme | Objectives | Outcome | Indicator | Performance |
|---|---|---|---|---|
| **Car Loan and Mortgage Scheme Fund** | • To Attract, motivate and retain qualified workforce through provision of low interest car loan and mortgage<br>• To Ensure availability and sustainability of revolving car and mortgage loans | Available and sustainable loan | No. of staff benefiting from loan | In FY 22/23, seven (7) staff benefited Car and Mortgage Loans |

## 7. CORPORATE GOVERNANCE STATEMENT

The County Government of Bomet is committed to best practice and has adopted the Salaries and Remuneration Commission (SRC) guidelines and Principles in implementing the civil servants' car loans and mortgages schemes. These principles are used as a guide to best practice in dealing with these loans. The County Car Loan and Mortgage Scheme Fund wishes to report this corporate governance statement as part of its commitment to preserving stakeholder's confidence.

The County Government of Bomet passed the regulations on 13th February 2018 which guide the implementation of the SRC recommendation on state officers and civil servant's car loans and mortgages. These regulations are namely; 1) Regulations for the Operationalization of the Bomet county state and public officers' Car Loan Funds Scheme and 2) Regulations for the operationalization of the Bomet county state and public officers' Mortgage Funds Scheme.

**Committee Composition and Roles/Functions**

Section 6 (1) of the Regulations established a loans management committee known as the Car and Mortgage Loan Management Committee. It is the only body mandated to oversee the implementation of the said schemes. Its membership consist of:-

a) The Chief Officer responsible for Finance who is the chairperson.
b) The Head of Human Resource Department
c) The Head of legal services.
d) Two members of staff appointed by the County Secretary
e) The Fund Administrator (ex-officio) appointed by the County Executive Member for Finance

Section 6 (3) of the said regulations provides the loans management committee with mandate to consider when conducting and approving disbursements of loan applications presented by the fund administrator.

**Oversight Role**

The County Executive and Assembly provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability. It retains full control and monitors implementation of the plans and strategies.

In accordance with the principle of good governance, Members of the Committee are required to act in accordance with the highest standards of honesty and integrity as per Chapter Six of the Kenya Constitution 2010. They ensure ethical

behaviour and compliance with relevant laws and regulations, audit, and accounting principles, corporate policies, procedures and code of ethics.

**Conflict of Interest**

The committee is under legal duty to act honestly in the best interest of the institution. Any business transacted must be at arm's length and fully disclosed. They are required to promote diversity across the organisation with regards to age, gender, ethnicity and the cultural background committee members and employees. In dispensing their duties, members cannot discriminate any applicant based on the above aspects. There is an elaborate mechanism to monitor and control any conflict of interest at any level.

**Committee Meetings and Trainings**

The meetings of the Committee are convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the Committee's functions. The committee members are given appropriate and timely agenda for the meeting. During the Financial Year 2022/23, the Fund paid Kshs. 87,800 for four (4) meetings held. There was no training done during the Financial Year.

**Existence of Service Charter**

The Fund has a service charter to ensure quality improvements that are sustainable and guided by the type of service standards our customers (internal and external) expect. It also offers a guide to all our customers on how to make complaints and suggestions on improvements in our service.

**Succession Plan**

The Fund's Administrator and the Head of Human Resources are Public Officers and thus there is continuity when new Fund Committee will be constituted as a result of change of government which might warrant change of fund committee composition.

**Committee Allowances/Remuneration**

Committee allowances are paid as per SRC Circular dated 16th April, 2014 and Ministry of Devolution and Planning Circular dated 2nd August, 2013

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund was established by the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 with aim of enabling public service attract, motivate and retain the best skills in line with the Article 230(5) of the Kenya Constitution. The same was operationalized by the County Government of Bomet in the year 2018 after the passing of the guiding regulations.

Though the schemes have had a positive impact to the welfare of the civil servants, the committee has faced numerous challenges during its implementation. These includes;

### a) Overcommitted pay-slips

The loan schemes having been introduced in the last five (5) years, some civil servants had already acquired loans from various commercial banks prior to establishment of the scheme. Therefore, those employees were left with little income which can't be committed further without violating the mandatory minimum one third rule of basic salary. This situation has hindered many of them from applying for the car loans or mortgage.

### b) Title Deeds used as security registered in the name of applicant's parents

The regulations direct that, all loans disbursed must be fully secured either with Title Deed or log books either registered under applicant's name or a spouse. This poses a serious legal challenge if consent to charge is not acquired from the other beneficiaries of the said Title Deed.

### c) Lack of Title Deeds

The committee appreciates the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hinders some members of staff who wish to apply for mortgage loans since they lack the necessary lien for the loan.

## 9. ENVIROMENTAL AND SUSTAINABILITY REPORTING

The Scheme did not undertake any Corporate Social Responsibility (CSR) during the year but will consider in subsequent financial years. The Fund intends to use part of savings from administration fees to carry out CSR in future.

## 10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Fund Committee submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

### Principal Activities

The principal activity of the Fund is to provide car loans and mortgage to members (State and Public Officers) with the aim of attraction, motivation and retention of the best skills in the public service in line with the Article 230(5) of the Kenya Constitution (2010)

### Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 6

### Fund Committee

The members of the Fund Committee who served during the year are shown on page vi.

### Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Fund Committee

COUNTY GOVERNMENT OF BOMET
CHAIRPERSON
27 SEP 2023
CAR LOAN AND MORTGAGE SCHEME

.....
**CPA Erick Chepkwony**
**Fund Chairperson**
**County Government of Bomet Car Loan and Mortgage Scheme Fund**

Date 27-9-2023

## 11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Bomet County Car Loan & Mortgage (State and Public Officers) Scheme Fund Regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

## Approval of the financial statements

The Fund's financial statements were approved by the Fund Committee on 27-9- 2023 and signed on its behalf by:




Administrator of the County Public Fund
County Government of Bomet Car Loan and Mortgage Scheme Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

**HEADQUARTERS**
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

# REPORT OF THE AUDITOR-GENERAL ON BOMET COUNTY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

## PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Bomet County Car Loan and Mortgage Scheme Fund set out on pages 1 to 38, which comprise of the statement of

financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other notes on financial statements in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of The Bomet County Car Loan and Mortgage Scheme Fund for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

**Basis for Qualified Opinion**

**1. Inaccuracies in the Financial Statements**

**1.1 Variance Between the Financial Statements and Comparative Balances**

The statement of changes in net assets reflect comparative balances which are at variance with the balances in the previous year 2021/2022 audited financial statements amounts as detailed below:

| Component Description | Financial Statements for 2022/2023 (Kshs.) | Audit Certificate Financial Statements 2021/2022 (Kshs.) | Variance (Kshs.) |
|---|---|---|---|
| Revolving Fund | 49,903,909 | 57,413,880 | (7,509,971) |
| Accumulated surplus | (481,427) | (8,816,480) | 8,335,053 |

In the circumstances, the accuracy and completeness of the comparative balances in the financial statements could not be confirmed.

**2. Unsupported Long-Term Receivables from Exchange Transactions**

As disclosed in Note 12 to the financial statements, the statement of financial position reflects balance of Kshs.67,321,187 in respect of long-term receivables from exchange transactions However, the balance was not supported with detailed individual amortization scheduling indicating loan issued, monthly principal and interest payments.

In the circumstances, the accuracy and completeness of the balance of Kshs.67,321,187 in respect of long-term receivables from exchange transactions could not be confirmed.

### 3. Unsupported Current Portion of Short-Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of short-term receivables from exchange transactions balance of Kshs.27,862,900 which includes balance of Kshs.17,039,418 in respect to current loan repayments due as disclosed in Note 12 to the financial statements. However, the current portion of short-term receivables from exchange transactions balance of Kshs.27,862,900 includes Kshs.7,140,140 and Kshs.3,150,000 in respect of other exchange debtors-Pending remittance and other exchange debtors- Internal borrowing which were not supported with requisitions and authority of fund transfers and or detailed payments and terms and conditions for repayments.

In the circumstances, the accuracy and completeness of the current portion of short-term receivables from exchange transactions balance of Kshs.27,862,900 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bomet County Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

**Emphasis of Matter**

**Budgetary Control and Performance**

The statement of comparison of budget and actual amounts: recurrent and development combined reflects a final receipts budget of Kshs.101,997,000 against actual receipts of Kshs.64,270,957 resulting to underfunding of Kshs.37,726,043 or 37% of the budget. Similarly, the Fund had a final expenditure budget of Kshs.101,997,000 against actual expenditure of Kshs.63,633,963 resulting to an under-expenditure of Kshs.38,363,037 or 38% of the budgeted amount.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report during the year under review.

## Other Matter

### Unresolved Prior Year Matters

As disclosed under the progress on follow up of auditors recommendation section of the financial statements annex 1, Management indicated three (3) prior year audit issues as resolved. However, Management did not provide reports and invitations from the oversight committee's detailing the deliberations and recommendations of the committees on the resolved issues. Further, Management has not provided satisfactory reasons for the delay in resolving the unresolved issues.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Failure to Prepare Separate Financial Statements for Car Loan Scheme Fund and Mortgage Scheme Funds

The financial statements prepared and presented for audit relate to Bomet County Car Loan and Mortgage Scheme Fund which are essentially two separate Funds operated by the County Executive namely: - Bomet County Car Loan Scheme Fund (State and Public Officers) and Bomet County Mortgage Scheme Fund (State and Public Officers). Section 15(1) (d) and 18(1) (d) of Bomet County Car Loan Scheme Fund (State and Public Officers) Regulations, 2018 and Bomet County Mortgage Scheme Fund (State and Public Officers) Regulations, 2018 respectively requires the Fund Administrator to prepare separate financial statements and submit to the Auditor-General within three (3) months after the end of financial year. However, the two separate regulations for car loan scheme fund and mortgage scheme fund have been merged through Legal Notice No. 2 issued on 27 June, 2023 but the financial statements for the year under review were combined. In the circumstances, Management was in breach of the law.

#### 2. Loan Disbursements Paid Out

The statement of cash flows for the year ended 30 June, 2023 shows loan disbursements paid out amounting to Kshs.55,562,435 in respect of mortgage and car loans granted to seven (7) state and public officers. However, review of the loan disbursement schedule, revealed that one public officer whose tenure of office ends in August, 2027 was granted a mortgage loan of Kshs.40,000,000 on 6 January, 2023 with repayment period of one-hundred (100) months which is expected to end on September, 2031. Further, the

loan granted was not supported with the Fund Committee minutes and approved structure and cadre of the officer.

In the circumstances, recoverability of the mortgage loan within the tenure of the state officer is highly doubtful.

### 3. Irregular Internal Borrowing of Funds

As disclosed in Note 11 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.18,709,774 which includes Kshs.3,150,000 in respect of other internal borrowings by the County Executive. However, review of Regulations 4 of the Public Finance Management (Bomet County Mortgage Scheme Fund) Regulations, 2018 states that the object and purpose of the Fund is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme. The balance of Kshs.3,150,000 relating to internal borrowing from the Fund to Bomet County Executive was irregular as it did not meet the objective of the Fund. Further, the balance was not supported with bank transfer documents and remained outstanding as at 30 June, 2023.

In the circumstances, Management was in breach of the law.

### 4. Failure to Remit Fringe Benefit Tax

The statement financial position reflects trade and other payables from exchange transactions balance of Kshs.834,385 in respect of fringe benefits tax-KRA and as disclosed in Note 17 to the financial statements. However, the Management has not made payments towards fringe benefit tax which may attract fines and penalties according to the Income Tax Act, 2012.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing as applicable, and matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements follow the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing on the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

## Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always

detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

**FCPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**22 March, 2024**

## 13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2023

| Description | Note | 2022/2023 | 2021/2022 |
|---|---|---|---|
| | | Kshs | Kshs |
| **Revenue from Non-Exchange Transactions** | | | |
| Public Contributions and Donations | 1 | - | - |
| Transfers from the County Government | 2 | - | - |
| Fines, Penalties and Other Levies | 3 | - | - |
| Revenue from Exchange Transactions | | | |
| Interest Income | 4 | 1,270,957 | 1,151,259 |
| Other Income | 5 | - | - |
| **Total Revenue** | | **1,270,957** | **1,151,259** |
| Expenses | | | |
| Employee Costs | 6 | - | - |
| Fund Administration Costs | 7 | 341,400 | 1,415,312 |
| General Expenses | 8 | 289,083 | 209,814 |
| Depreciation and Amortization Expense | 9 | 0 | - |
| Finance Costs | 10 | 3,480 | 7,560 |
| **Total Expenses** | | **633,963** | **1,632,686** |
| Other Gains/Losses | | | |
| Gain/Loss on Disposal of Assets | 11 | - | - |
| **Surplus/(Deficit) For the Period** | | **636,994** | **(481,427)** |

The notes set out on pages 7 to 40 form an integral part of these Financial Statements

COUNTY GOVERNMENT OF BOMET FUND ADMINISTRATOR CAR LOAN AND MORTGAGE SCHEME

Administrator of the Fund
Name: Charles Koech

Fund Accountant
Name: Gilbert Langat
ICPAK Member Number: 21599

## 14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2023

| | Note | 2022/2023 | 2021/2022 |
|---|---|---|---|
| | | KShs | KShs |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 18,709,774 | 275,876 |
| Current portion of short-term receivables from exchange transactions | 12 | 27,862,900 | 21,845,818 |
| Prepayments | 13 | - | - |
| Inventories | 14 | - | - |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | - | - |
| Intangible assets | 16 | - | - |
| Long term receivables from exchange transactions | 12 | 67,321,187 | 28,172,500 |
| **Total assets** | | **113,893,861** | **50,298,194** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables from exchange transactions | 17 | 834,385 | 211,643 |
| Provisions – Doubtful debts | 18 | - | 664,069 |
| Current portion of borrowings | 19 | - | - |
| Employee benefit obligations | 20 | - | - |
| **Non-current liabilities** | | - | |
| Non-current employee benefit obligation | 20 | - | - |
| Long term portion of borrowings | 19 | - | - |
| **Total liabilities** | | **834,385** | **875,712** |
| **Net assets** | | **113,059,476** | **49,422,482** |
| Revolving Fund | | 112,903,909 | 49,903,909 |
| Reserves | | - | - |
| Accumulated surplus | | 155,567 | (481,427) |
| **Total net assets and liabilities** | | **113,059,476** | **49,422,482** |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27-9-2023 and signed by:

COUNTY GOVERNMENT OF BOMET
FUND ADMINISTRATOR
27 SEP 2023
CAR LOAN AND MORTGAGE SCHEME

Administrator of the Fund
Name: Charles Koech

Fund Accountant
Name: Gilbert Langat
ICPAK Member Number: 21599

## 15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2023

| | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|---|---|---|---|---|
| | | KShs | KShs | KShs |
| | | | | |
| **Balance as at 1st July 2021** | **49,903,909** | | | **49,903,909** |
| Surplus/(deficit) for the period | | | **(481,427)** | **(481,427)** |
| Funds received during the year | | | | |
| Revaluation gain | | | - | - |
| **Balance as at 30th June 2022** | **49,903,909** | | **(481,427)** | **49,422,482** |
| **Balance as at 1st July 2022** | **49,903,909** | | **(481,427)** | **49,422,482** |
| Surplus/(deficit)for the period | | | **636,994** | **636,994** |
| Funds received during the year | 63,000,000 | | - | **63,000,000** |
| Revaluation gain | | | - | - |
| **Balance as at 30th June 2023** | **112,903,909** | | **155,567** | **113,059,476** |

## 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2023

| | Note | 2022/2023 | 2021/2022 |
|---|---|---|---|
| | | KShs | KShs |
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Public contributions and donations | | - | - |
| Transfers from the County Government | | - | - |
| Interest received | | 1,174,532 | 1,302,255 |
| Receipts from other operating activities | | - | - |
| **Total Receipts** | | **1,174,532** | **1,302,255** |
| **Payments** | | | |
| Fund administration expenses | 7 | 341,400 | 1,415,312 |
| General expenses | 8 | 289,083 | 209,814 |
| Finance cost | 10 | 3,480 | 7,560 |
| Less: Fringe Benefit Tax | | | (211,643) |
| Less: Provision for doubtful debts | | | (664,069) |
| **Total Payments** | | **633,963** | **756,974** |
| **Net cash flows from operating activities** | | **540,569** | **545,281** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant, equipment and intangible assets | | - | |
| Proceeds from sale of property, plant and equipment | | - | |
| Proceeds from loan principal repayments | | 13,605,764 | 21,006,729 |
| Loan disbursements paid out | | (55,562,435) | (26,700,000) |
| **Net cash flows used in investing activities** | | **(41,956,671)** | **(5,693,271)** |
| **Cash flows from financing activities** | | | |
| Proceeds from revolving fund receipts | | 63,000,000 | |
| Additional borrowings | | - | - |
| Repayment of Wrong Credit – County Assembly | | - | (339,174) |
| Internal Borrowing - Finance | | (3,150,00) | (1,731,972) |
| **Net cash flows used in financing activities** | | **59,850,000** | **(2,071,146)** |
| **Net increase/(decrease)in cash and cash equivalents** | | | |
| Cash and cash equivalents at 1st July 2022 | 11 | **275,876** | **7,495,012** |
| **Cash and cash equivalents at 30 June, 2023** | 11 | **18,709,774** | **275,876** |

*Out of the accrued income of Kshs. 1,270,957, Kshs. 1,174,532 was received during the Financial Year*

## 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2023

| | Original Budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Utilization |
|---|---|---|---|---|---|---|
| | 2023 | 2023 | 2023 | 2023 | 2023 | 2023 |
| **Revenue** | **KShs** | **KShs** | **KShs** | **KShs** | **KShs** | |
| Public contributions and donations | - | - | - | - | - | - |
| Transfers from County Govt. | 13,000,000 | 87,000,000 | 100,000,000 | 63,000,000 | 37,000,000 | 63% |
| Interest income | 1,000,000 | 997,000 | 1,997,000 | 1,270,957 | 726,043 | 64% |
| Other income | - | - | - | - | - | - |
| **Total income** | **14,000,000** | **87,997,000** | **101,997,000** | **64,270,957** | **37,726,043** | |
| **Expenses** | | | | | | |
| Fund administration expenses | 692,000 | 1,000,000 | 1,692,000 | 341,400 | 1,350,600 | 20% |
| Staff costs | - | - | - | - | - | - |
| General expenses | 300,000 | - | 300,000 | 289,083 | 10,917 | 96% |
| Finance cost | 8,000 | (3,000) | 5,000 | 3,480 | 1,520 | 70% |
| Disbursements | 13,000,000 | - | 100,000,000 | 63,000,000 | 37,000,000 | - |
| **Total expenditure** | **14,000,000** | | **101,997,000** | **63,633,963** | **38,363,037** | |
| **Surplus for the period** | - | - | - | **636,994** | **(636,994)** | |

**Budget Notes:**

Finance Cost - The underutilization of below 90% resulted from pending disbursements by the close of the FY which could have pushed it up

Transfers from County – 63% of final budget was received. That disadvantaged deserving cases. It further affected the actual interest income (64%) and fund administration expenses (20%)

## 18. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. General Information

Bomet County Government Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from Section 116 of Public Finance Management Act, 2012. The entity is wholly owned by the Bomet County Government and is domiciled in Kenya. The Fund was operationalized under the Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018.The Fund began advancing car loans and mortgage to members of the County Executive in July 2018.

The fund's objective is to provide financial assistance to provide loan scheme for the purchase of vehicles, purchase and/or development or renovation or repair of property by members of the scheme. The Fund's principal activity is to disburse loans to members.

### 2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 3. Adoption of new and revised standards

*(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

| Standard | Effective Date and Impact: |
|---|---|
| IPSAS 41: Financial Instruments | **Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and |

| | |
|---|---|
| | uncertainty of an Entity's future cash flows.<br>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:<br><br>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;<br><br>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and<br><br>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |

| | |
|---|---|
| | **Impact:**<br>There was no impact of the amendment to IPSAS 41 with respect to the current financial report |
| IPSAS 42: Social Benefits | **Applicable: 1st January 2023**<br>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:<br>(a) The nature of such social benefits provided by the Entity;<br>(b) The key features of the operation of those social benefit schemes; and<br>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.<br>**Impact:**<br>There was no impact of the amendment to IPSAS 42 with respect to the current financial report |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | **Applicable: 1st January 2023:**<br>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs |

| | |
|---|---|
| | which were inadvertently omitted when IPSAS 41 was issued.<br>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.<br>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.<br>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.<br>**Impact:**<br>There was no impact of the Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments to IPSAS 41 with respect to the current financial report |
| Other improvements to IPSAS | ***Applicable 1st January 2023***<br>• *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* |

| | |
|---|---|
| | Amendments to refer to the latest System of National Accounts (SNA 2008).<br>• *IPSAS 39: Employee Benefits*<br>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.<br>• **IPSAS 29: Financial instruments: Recognition and Measurement**<br>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.<br>**Impact:**<br>There was no impact of the amendment to IPSAS 22, 29 and 39 with respect to the current financial report |

*(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

| Standard | Effective Date and Impact: |
|---|---|
| IPSAS 43 | ***Applicable 1st January 2025***<br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial |

| | |
|---|---|
| | statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.<br>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.<br>**Impact:**<br>There was no impact of the amendment to IPSAS 43 with respect to the current financial report |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | ***Applicable 1st January 2025***<br>The Standard requires,<br>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:<br><br>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.<br>**Impact:**<br>There was no impact of the amendment to IPSAS 44 with respect to the current financial report |

### (iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2023.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Revenue recognition

### i) Revenue from non-exchange transactions

### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

### ii) Revenue from exchange transactions

### Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### b. Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### e. Financial instruments

#### Financial assets

#### Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### Financial liabilities

### Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### f. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### h. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

### i. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**j. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**l. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**m. Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**n. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of

cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**o. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**p. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**q. Ultimate and Holding Entity**

The entity is a County Public Fund established by Public Finance Bomet County (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2018. Its ultimate parent is the County Government of Bomet.

**r. Currency**

The financial statements are presented in Kenya Shillings (KShs).

## 4. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) **Estimates and assumptions –** The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

### b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

### c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. Public contributions and donations

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Donation from development partners | - | - |
| Contributions from the public | - | - |
| **Total** | - | - |

### 2. Transfers from County Government

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Transfers from County Govt. – operations | - | - |
| Payments by County on behalf of the entity | - | - |
| **Total** | - | - |

### 3. Fines, penalties and other levies

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Late payment penalties | - | - |
| Fines | - | - |
| **Total** | - | - |

### 4. Interest income

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Interest Income from Mortgage Loans | 638,502 | 545,884 |
| Interest Income from Car Loans | 632,455 | 605,375 |
| | **1,270,957** | **1,151,259** |

Out of accrued interest income of Kshs. 1,270,957, a total of Kshs. 1,174,532 was received during the year which consisted of interest receivable due from year ended 30th June, 2022 and part of interest for year ended 30th June, 2023.

## 5. Other income

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Insurance recoveries | - | - |
| Income from sale of tender documents | - | - |
| Miscellaneous income | - | - |
| **Total other income** | - | - |

## 6. Employee Costs

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Salaries and wages | - | - |
| Staff gratuity | - | - |
| Staff training expenses | - | - |
| Social security contribution | - | - |
| Other staff costs | - | - |
| **Total** | - | - |

## 7. Fund Administration Expenses

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | Kshs. | Kshs. |
| General Office Expenses | - | - |
| Loan Processing Costs | - | - |
| Professional Services Costs | - | - |
| Administration Fees | | |
| Committee Allowances | 341,400 | 539,600 |
| Bank Charges | - | - |
| Electricity and Water Expenses | - | - |
| Fuel and Oil Costs | - | - |
| Insurance Costs | - | - |
| Postage and Courier | - | - |
| Printing and Stationery | - | - |

| | | |
|---|---|---|
| Rental Costs | - | - |
| Security Costs | - | - |
| Telephone and Communication Expenses | - | - |
| Bank Charges | - | - |
| Audit Fees | - | - |
| Provision for Doubtful Debts (1.5% of Outstanding Loans) | | 664,069 |
| Other – Fringe Benefit Tax | | 211,643 |
| **Total** | **341,400** | **1,415,312** |

## 8. General expenses

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Consumables | - | - |
| Electricity and water expenses | - | - |
| Fuel and oil costs | - | - |
| Insurance costs | 254,283 | 209,814 |
| Advertisement | - | - |
| Printing | 34,800 | - |
| Rental costs | - | - |
| Security costs | - | - |
| Telecommunication | - | - |
| Hospitality | - | - |
| Depreciation and amortization costs | - | - |
| Other expenses | - | - |
| **Total** | **289,083** | **209,814** |

## 9. Depreciation and Amortization Expense

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | Kshs. | Kshs. |
| Property Plant and Equipment | - | - |
| Intangible Assets | - | - |
| **Total** | | |

## 10. Finance costs

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Interest on Bank overdrafts | | |
| Interest on loans from banks | | |
| Bank charges | 3,480 | 7,560 |
| **Total** | **3,480** | **7,560** |

## 11. Cash and Cash equivalents

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Fixed deposits account | - | |
| On – call deposits | - | |
| Current account | 18,709,774.42 | 275,876 |
| Others | - | - |
| **Total cash and cash equivalents** | **18,709,774** | **275,876** |

Detailed for cash and cash equivalents as follows:

| Financial institution | Account number | 2022/2023 KShs | 2021/2022 KShs |
|---|---|---|---|
| a) **Fixed deposits account** | | | |
| Kenya Commercial bank | | | |
| Equity Bank, etc | | | |
| **Sub- total** | | | |
| **b) On – call deposits** | | | |
| Kenya Commercial bank | | | |
| Equity Bank – etc | | | |
| **Sub- total** | | | |
| **c) Current account** | | | |
| Equity Bank-Bomet – 1220277299764 | | 18,709,774.42 | 275,876.62 |
| **Sub- total** | | **18,709,774** | **275,876.62** |
| **d) Others(specify)** | | | |
| Cash in transit | | | |
| Cash in hand | | | |
| **Sub- total** | | **18,709,774** | **275,876** |
| **Grand total** | | **18,709,774** | **275,876** |

## 12. Receivables from exchange transactions

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | Kshs | Kshs |
| **Current Receivables** | | |
| Interest Receivable | 533,342 | 295,544.68 |
| Current Loan Repayments Due | 17,039,418 | 16,098,795.16 |
| Other Exchange Debtors – Pending Remittance | 7,140,140 | 3,719,505.81 |
| Other Exchange Debtors – Internal Borrowing | 3,150,000 | |
| **Total Current Receivables** | **27,862,900** | **21,845,817.65** |
| | | |
| **Non-Current Receivables** | | |
| Long Term Loan Repayments Due | 67,321,187 | 28,172,499.73 |
| **Total Non- Current Receivables** | 67,321,187 | **28,172,499.7** |
| **Total Receivables from Exchange Transactions** | **95,184,087** | **50,018,317.38** |

## 13. Prepayments

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Prepaid rent | - | - |
| Prepaid insurance | - | - |
| Prepaid electricity costs | - | - |
| **Total** | - | - |

## 14. Inventories

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Consumable stores | - | - |
| Spare parts and meters | - | - |
| Catering | - | - |
| **Total inventories at the lower of cost and net realizable value** | - | - |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. Property, plant and equipment

| | Land and Buildings | Motor vehicles | Furniture and fittings | Computers and office equipment | Total |
|---|---|---|---|---|---|
| **Cost** | **KShs** | **KShs** | **KShs** | **KShs** | **KShs** |
| **At 1st July 2021** | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Disposals | (-) | (-) | - | - | (-) |
| Transfers/adjustments | - | (-) | - | (-) | (-) |
| **At 30th June 2022** | - | - | - | - | - |
| **At 1st July 2022** | | | | | |
| Additions | - | - | - | - | - |
| Disposals | (-) | - | - | - | (-) |
| Transfer/adjustments | (-) | - | - | (-) | (-) |
| **At 30 June, 2023** | - | - | - | - | - |
| **Depreciation and impairment** | | | | | |
| **At 1st July 2021** | (-) | (-) | (-) | (-) | (-) |
| Depreciation | (-) | (-) | (-) | (-) | (-) |
| Impairment | (-) | - | - | - | (-) |
| **At 30th June 202** | - | - | - | - | - |
| **At 1st July 2022** | | | | | |
| Depreciation | (-) | (-) | (-) | - | (-) |
| Disposals | - | - | - | - | - |
| Impairment | (-) | (-) | - | - | (-) |
| Transfer/adjustment | - | (-) | (-) | - | - |
| **At 30 June, 2023** | - | - | - | - | - |
| **Net book values** | | | | | |
| **At 30th June 2022** | - | - | - | - | - |
| **At 30thJune 2023** | - | - | - | - | - |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Intangible assets-software

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| **Cost** | | |
| **At beginning of the year** | - | - |
| Additions | - | - |
| **At end of the year** | - | - |
| **Amortization and impairment** | - | - |
| **At beginning of the year** | - | - |
| Amortization | - | - |
| **At end of the year** | - | - |
| Impairment loss | - | - |
| **At end of the year** | - | - |
| **NBV** | - | - |

### 17. Trade and other payables from exchange transactions

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Trade payables | - | - |
| Refundable deposits | - | - |
| Accrued expenses | - | - |
| Other payables (Wrong credits) | - | - |
| Fringe Benefit Tax - KRA | 834,385 | 211,643 |
| **Total trade and other payables** | **834,385** | **211,643** |

### 18. Provisions

| Description | Leave provision | Bonus provision | Other provision | Total |
|---|---|---|---|---|
| | KShs | KShs | KShs | KShs |
| Balance at the beginning of the year | - | - | - | - |
| Additional Provisions | - | - | - | - |
| Provision utilised | - | - | - | - |
| Change due to discount and time value for money | - | - | - | - |
| Transfers from non -current provisions | - | - | - | - |
| **Total provisions** | - | - | - | - |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. Borrowings

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| **Balance at beginning of the period** | - | - |
| External borrowings during the year | - | - |
| Domestic borrowings during the year | - | - |
| Repayments of external borrowings during the period | - | - |
| Repayments of domestics borrowings during the period | - | - |
| **Balance at end of the period** | - | - |

The table below shows the classification of borrowings into external and domestic borrowings:

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| **External Borrowings** | | |
| Dollar denominated loan | - | - |
| Sterling Pound denominated loan | - | - |
| Euro denominated loan | - | - |
| **Domestic Borrowings** | - | - |
| Kenya Shilling loan from KCB | - | - |
| Kenya Shilling loan from Barclays Bank | - | - |
| Kenya Shilling loan from Consolidated Bank | - | - |
| Borrowings from other government institutions | - | - |
| **Total balance at end of the year** | - | - |

The table below shows the classification of borrowings long-term and current borrowings:

| Description | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Short term borrowings(current portion) | - | - |
| Long term borrowings | - | - |
| **Total** | - | - |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. Employee benefit obligations

| Description | Defined benefit plan | Post employment medical benefits | Other Provisions | Total |
|---|---|---|---|---|
| | KShs | KShs | KShs | KShs |
| Current benefit obligation | - | - | - | - |
| Non-current benefit obligation | - | - | - | - |
| **Total employee benefits obligation** | - | - | - | - |

### 21. Cash generated from operations

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| **Surplus for the year before tax** | | |
| **Adjusted for:** | | |
| Bad debt written off | - | - |
| Gains/ losses on disposal of assets | - | - |
| Interest income | - | - |
| Finance cost | - | - |
| **Working Capital adjustments** | - | - |
| Increase in inventory | - | - |
| Increase in receivables | - | - |
| Increase in payables | - | - |
| **Net cash flow from operating activities** | - | - |

### 22. Related party balances

#### a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

a) The County Government
b) Bomet County Assembly
c) Department of Finance, ICT and Economic Planning
d) Office of the County Secretary
e) Key management/Fund Committee

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### b) Related party transactions

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Transfers from related parties' | - | - |
| Transfers to related parties | - | - |

### c) Key management remuneration

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Fund Committee | - | - |
| Key Management Compensation | - | - |
| **Total** | - | - |

### d) Due from related parties

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Due from parent Ministry | - | - |
| Due from County Government | - | - |
| **Total** | - | - |

### e) Due to related parties

| | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Due to parent Ministry | - | - |
| Due to County Government | - | - |
| Due to Key management personnel | - | - |
| **Total** | - | - |

### 23. Contingent assets and contingent liabilities

| Contingent liabilities | 2022/2023 | 2021/2022 |
|---|---|---|
| | KShs | KShs |
| Court case against the Fund | - | - |
| Bank guarantees | - | - |
| **Total** | - | - |

## Other Disclosures Continued

## 24. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

### a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | Total amount KShs | Fully performing KShs | Past due KShs | Impaired KShs |
|---|---|---|---|---|
| **At 30 June 2023** | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |
| | - | - | - | - |
| **At 30 June 2022** | - | - | - | - |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| **Total** | - | - | - | - |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from none.

The Fund Committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

### b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|---|---|---|---|---|
| | KShs | KShs | KShs | KShs |
| **At 30 June 2023** | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| **Total** | - | - | - | - |
| **At 30 June 2022** | - | - | - | - |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| **Total** | - | - | - | - |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

### i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | | Other currencies | Total |
|---|---|---|---|
| | KShs | KShs | KShs |
| **As at 30 June,2023** | | | |
| Financial assets (investments, cash ,debtors) | - | - | - |
| Liabilities | - | - | - |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

| | Change in currency rate | Effect on surplus/ deficit | Effect on equity |
|---|---|---|---|
| | KShs | KShs | KShs |
| **2023** | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| **2022** | | - | - |
| Euro | 10% | - | - |
| USD | 10% | - | - |

### ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

### Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

### Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

| | 2023 | | 2022 |
|---|---|---|---|
| | KShs | | KShs |
| Revaluation reserve | - | - | - |
| Revolving fund | - | - | - |
| Accumulated surplus | - | - | - |
| **Total funds** | - | - | - |
| | | | |
| Total borrowings | - | - | - |
| Less: cash and bank balances | - | - | - |
| Net debt/(excess cash and cash equivalents) | - | - | - |
| **Gearing** | - | - | - |

## 20. ANNEX

### ANNEX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|---|---|---|
| OAG/BCCL&MSFEM/ 2021/2022/(17) | Receivables from Exchange Transactions – Loan movement schedule for short term and long-term loan receivables | The inaccuracy noted was corrected in subsequent Financial Statements | Mr. Gilbert Langat – Fund Accountant | Resolved/Corrected | N/A |
| OAG/BCCL&MSFEM/ 2021/2022/(17) | Failure to prepare separate Financial Statements for Car Loan and Mortgage | The earlier separate regulations have been consolidated and published. | Mr. John Mark Langat – County Attorney | Resolved | N/A |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|---|---|---|
| OAG/BCCL&MSFEM/ 2021/2022/(17) | No joint registration of one (1) vehicle | The vehicle was in the process of joint registration by the time of carrying out audit which has been completed. | Mr. Kipkorir Mutai – Transport Manager<br><br>Mr. Charles Koech – Fund Administrator | Resolved | Needs continuous monitoring |

**ANNEX II: REPORTING OF CLIMATE RELEVANT EXPENDITURES**

| Project Name | Project Description | Project Objectives | Project Activities | | | | | Source of Funds | Implementing Partners |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | | |
| N/A | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

## ANNEX III: REPORTING ON DISASTER MANAGEMENT EXPENDITURE

| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments |
|---|---|---|---|---|---|---|
| N/A | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |