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Republic of Kenya

Kenya National Audit Office

REPORT

OF

THE

AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF THE COUNTY COUNCIL OF BOMET FOR THE YEAR ENDED 30 JUNE 2012

2.0 Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 24 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

3.0 Basis for Disclaimer of Opinion

3.1 Accuracy of the Financial Statements

i) As previously reported, the Council has not prepared and submitted for audit, its financial statements for years 1993/1994 to 1995/1996 and 2001/2002 as required by Section 229(1) of the Local Government Act, Cap 265. The Council therefore continues to be in breach of the law. In the absence of audited and certified financial statements for 1995/1996 and prior years, the origin and accuracy of the opening balances for the 1996/1997 financial statements as at 01 July, 1996 and for the subsequent years, including 2011/2012 could not be confirmed.

Receivables/Debtors balance of Kshs.141,710,117.00 as at 30 June 2012 could not be confirmed.

3.5 The Cash and Cash Equivalents

The Cash and Cash Equivalents balance increased from Kshs.14,965,294.00 as at 30 June 2011 to Kshs.26,132,710.00 as at 30 June 2012. However, the main cashbook was not properly recorded and updated and therefore, accuracy of the cash on hand balance of Kshs.351,556.00 could not be confirmed. Further, a difference of Kshs.300,000.00 exists between the cash on hand balance of Kshs.51,556.00 recorded on the Board of Survey Report and that reflected under Note 4 to the financial statements. The variance has not been reconciled or explained. In addition, monthly bank reconciliation statements for all bank accounts were not updated. In the circumstances, the accuracy of the Cash and Cash Equivalents balance of Kshs.26,132,710.00 as at 30 June 2012 could not be confirmed.

3.6 Net Assets/Capital and Reserves

The Net Assets/capital and Reserves balance increased from Kshs.259,864,642.00 as at 30 June 2011 to Kshs.388,068,793.00 as at 30 June 2012. The statement of changes in net assets/capital and reserves reflected an increase of Kshs. 124,087,477.00 in respect of Contributed Capital by Government Entities from Kshs.250,185,721.00 as at 30 June 2011 to Kshs.374,273,398.00 as at 30 June 2012. However, no explanation or details of the increase were provided for audit confirmation. Under the circumstances, the correctness of the Net Assets/Capital and Reserves balance of Kshs.388,068,793.00 as at 30 June 2012 could not be confirmed.

3.7 Income and Expenditure

The total Income and Expenditure amounted to Kshs.169,649,475.00 and Kshs. 165,532,801.00 respectively, resulting in a net surplus of Kshs.4,116,674.00 for the year. However, the operating income was apparently understated by Kshs. 1,106,172.00 while operating expenses was apparently overstated by Kshs. 20,621,541.00. Under the circumstances, the accuracy of the Council's net surplus for the year ended 30 June 2012 could not be confirmed.

COUNTY COUNCIL OF BOMET

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 30TH JUNE 2012

CONDITION 3

Samuel K. Rotich
County Treasurer
County Council of Bomet
P.O. Box 19
BOMET

Daniel S. Nkere
Clerk to Council
County Council of Bomet
P.O. Box 19
BOMET

MINISTRY OF LOCAL GOVERNMENT

LOCAL AUTHORITIES MONITORING SYSTEM

FINANCIAL STATEMENTS

RECEIPT LETTER

This is to confirm /acknowledge that County Council Of Bomet

(*Name of Local Authority*)

has submitted the Financial Statements for FY 2011/ 2012

(*Fiscal Year*)

to the Controller and Auditor General (C & AG)

KENYA NATIONAL AUDIT OFFICE
SOUTH RIFT REGION
P. O. BOX 1050 - 20100
NAKURU

Date 25 SEPTEMBER 2012

(*Date*)

Received by [signature]

(*Signature*)

JULIUS M. MUTINDA

(*Print Name*)

Position PRINCIPAL AUDITOR

(*Title*)

MIN. 146/12: PRAYER

A word of Prayer was said by Cllr. Joel Kiprono Kilele before the commencement of the meeting.

MIN.147 /12: CONFIRMATION AND ADOPTION OF MINUTES OF FINANCE, STAFF AND GENERAL PURPOSES COMMITTEE MEETING HELD ON 29TH AUGUST 2012

The Chairman Finance, Staff and General Purposes Committee tabled the minutes of Finance staff and General Purposes committee held on 29th August 2012 for deliberation.

After a lengthy deliberation, on a proposal by Cllr. Joseph Chirchir and seconded by Cllr. Hassan Kipkemoi Kirui, it was,

RESOLVED: that, the minutes of Finance, Staff and General Purposes meeting held on 29th August 2012 after having been signed by the committee Chairman as a correct records of the council proceedings be confirmed and adopted.

There being no other business to transact, the meeting ended with a word of prayer by Cllr. Joel Kiprono Kilele at 2.59 pm.

Confirmed: -- 13/9/12
Chairman (signature) *Date*

Certified: -- 13/9/12
Clerk (signature) *Date*

The Committee Chairman reminded the members that other agenda had been ...
Members were also informed once an agenda has been passed it ought not to be brought earlier than six months from the date of resolution.

Members were also informed that new LATF conditionality require that submission of Actual Income & Expenditure and Financial Statements for FY 2011/2012 be done by 30th September 2012 and not 31st December 2012 as had earlier been the practice.

MIN. 144/12: ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012 (CONDITION 3)

The County Treasurer tabled the Annual Financial Statement for the Year ending 30th June 2012 Condition 3 document as per new Ministry requirements and led the members through. There was an improvement of revenu collection.

The summary part of the report was as shown below:

LOCAL AUTHORITY MONITORING SYSTEM			
FA-1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2012			
OPERATING REVENUE	NOTE	2012	2011
		Kshs	Kshs
Own Source Revenue			
Property Rates		1,788,376	2,256,61
Contribution in Lieu of Rates		0	
Cess and other levies		4,712,248	7,666,65
Singe Business Permit		12,789,709	12,760,01
Licences		0	
Markets		4,553,896	2,880,26
House Rent		749,310	90,00
Other Fees and Charges		14,468,168	10,447,09
Lease Income		893,912	
Miscellaneous Revenue		0	435,29
Total Own Source Revenues		39,955,619	36,535,9
Central Government and Other Transfers			
LATF		124,703,798	87,085,2
Road Maintenance Levy Fund		0	
Other Government Recurrent Grants		4,990,058	1,713,8
Total Central Government and Other Revenues		129,693,856	88,799,1
Total Operating Revenue		169,649,475	125,335,0
OPERATING EXPENSES			
Employee costs	17	61,204,837	56,697,6
Operating Costs		66,716,547	40,607,2
Repairs & Maintenance costs		30,859,108	31,768,4
Depreciation & Amortization	14	6,752,309	7,292,3
Total Operating Expenses		165,532,801	136,365,6

GOVERNMENT OF KENYA

OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF LOCAL GOVERNMENT

KENYA LOCAL GOVERNMENT REFORM PROGRAMME

STATUTORY FINANCIAL REPORTING TEMPLATE FOR LOCAL AUTHORITIES

KENYA GAZETTE VOLUME

CX-NO.55 OF 11TH JULY 2008

GAZETTE NOTICE NO. 6218

STATUTORY FINANCIAL REPORTING TEMPLATE

Introduction

Every Local Authority (City, Municipal, Town and County Council) should prepare and issue an annual financial report that can easily be read and understood. The basic sources of guidance on the requirements of the issuance of this annual financial report are the International Public Sector Accounting Standards (IPSAS) and the provisions of the Local Government Act Cap 265.

This template sets out the minimum disclosures that the financial statements of Local Authorities, irrespective of the nature and size, need to comply with.

In addition to the template, there are several other documents that the Chief Officers, Treasurers and other staff in the Local Authorities are expected to be familiar with to adequately prepare annual financial reports. These include:

- Financial Management Regulations, 2007
- Kenya National Audit Act, 2003
- Treasurers Manual, 2006
- Budget Guidelines and Procedures

In complying with the provisions of this template, Treasurers will be required to rely on the accounting codes as provided for in the chart of accounts. The accounting codes are standardised in line with the provisions of the Local Government budgeting system. The codes as provided in the budget with cost centres/departments form the basis under which payments incurred are debited against in the financial statements. Therefore, the use of codified accounting systems is to enable Local Authorities to have reliable comparison for performance between actual and budgeted provision by appropriating expenses against the right codes. In this process the Treasurer is to ensure that any major deviation from the budgeted provisions are be disclosed in the accounts and included in the Treasurer's report with explanations.

The Templates as set out in the following pages provide the framework for financial reporting and should be used by all councils and they are designed to cater for all foreseeable eventualities. Under these circumstances it is unlikely that any LA will need to use all the items shown in the templates, and will need to replace some of the examples given to fit their particular circumstances.

1 TREASURER'S REPORT

The Treasurer's Report contains:

- An overview of general financial performance for the year compared to the previous year and the budget, as well as general factors affecting the financial performance.
- Summary of operating results at corporate and service levels.
- A summary of implementation of capital projects budgeted for the year

Corporate Results

	Actual 2010/2011 KSh.	Actual 2011/2012 KSh.	Variance 2010/2011 KSh.	Budget 2011/2012 KSh.	Variance 2011/2012 KSh.
Operating Revenue for the year	125,336,036	169,649,475	16,014,444	147,521,325	-22,128,150
Operating Expenses for the year	136,365,601	165,532,801	11,548,261	150,500,795	-15,032,006
Operating Surp./(Defct) for the y	-11,030,565	4,116,674	4,466,183	-2,979,470	-37,160,156

Explanatory comments on:

- Increase in operating expenses of Kshs.29,167,200 was due to seminars on transition to county government and high cost of living. However, the expenditure was within the budget.

Fund or Service operating results summary

A summary of revenue and expenditure, by department, by service delivered and by fund.

Department	**Recurrent Expenditure Kshs**	**Local Revenues Kshs**	**Surplus (Deficit) Kshs**
Clerk's	28,416,802	0	(28,416,802)
Treasurer's	22,958,979	4,310,759	(18,648,220)
Civic	39,858,780	220,500	(39,638,280)
Engineering	21,399,199	7,004,710	(14,394,489)
Markets Section	11,830,003	33,442,508	21,612,505
Social Service & Education	14,354,643	0	(14,354,643)
1.1 Total	**138,818,406**	**44,945,677**	**(93,872,729)**

27. Kinyogi Pre-School	514,080	Completed
28. Tabaita Nursery School	281,950	Completed
29. Kembu Community Social Hall	136,660	Completed
30. Bingwa Community Library	490,730	Completed
31. Komirmir Youth Polytechnic	28,890	Completed
32. Nyongores Dispensary	217,400	Completed
33. Tegat Open-Air Market	343,680	Completed
34. Oreiyet Secondary School	31,500	Completed
35. Civic Car 4 Wheel-Driver (Acquisition)	7,098,709	Completed
TOTAL	**20,016,176**	

Other possible disclosures should include Major items and issues

External Loans

The Council did not borrow any external loan from any financial institution

o ***Cash balances***

The cash balances as at 30th June 2012 were as follows:

1. Account No. 1105839206 – E.U PRF1 – Kshs.4,656
2. Account No. 1105842568 – E.U PRF2 – Kshs.1,633

General information

Contingent Liabilities

There was no contingent liability during the Financial Year 2011/2012, which was material to affect the accounts

Expression of appreciation

"I am grateful to the Chairman and members of the Finance Committee, Councillors, Clerk to the council and Departmental Heads for the support they have given to me and to the staff of my department during the year. I would also like to thank the officers from the Ministry of Local Government and the Kenya National Audit Office for their advice and guidance".

Signed:..................................

TREASURER

Date 17th August, 2012....................................

2. THE PURPOSE OF THE ANNUAL FINANCIAL STATEMENTS

Purpose of the Annual Financial Statements:

- To inform stakeholders on the financial performance of their Local Authority.
- To ensure consistency amongst all Local Authorities in the presentation of annual financial statements.
- To ensure compliance with the law, Government regulations and other conditionalities set out by other organisations and institutions.
- To provide guidance on the application of Standards of Generally Accepted Accounting Principals (GAAP), International Accounting Standards (IAS) and the International Public Sector Accounting Standards (IPSAS).

Objective of the Annual Financial Statements:

- To demonstrate their accountability in the use of resources by issuing financial statements. As elected representatives of the public and through powers provided by the Local Government Act Cap.265, Councils have the authority and responsibility for public financial affairs and resources management. Therefore Local Authorities are authorised to levy rates, taxes and other incomes sufficient to finance the services required by the community.

- To assist users in assessing the level of services that can be provided by the Local Authority and its ability to meet its obligations.
- To assist users in evaluating the operating results of the Local Authority for the year.
- To show how cash and other liquid resources were obtained and spent
- To provide information useful in assessing whether financial resources were administered in accordance with the limits of budget allocation.

LOCAL AUTHORITY MONITORING SYSTEM					
FA-1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE,					2012
COUNTY COUNCIL OF BOMET	021		17	08	2012
Local Authority Name	Code		dd	mm	yy
	NOTE	2012			
		KSh.000		Sh.000	
OPERATING REVENUE					
Own Source Revenues					
Property Rates		[illegible]		2,256,616	
Contribution in Lieu of Rates		0		0	
Cess and other levies		4,712,248		7,666,659	
Single Business Permit		12,789,709	✓	12,760,010	
Licences		0		0	
Market Fees		4,553,896		2,880,267	
House Rent		749,310		90,000	
Other Fees and Charges		14,468,168		10,447,090	
Lease Income		893,912		0	
Miscellaneous Revenue		[illegible]		435,290	
Total Own Source Revenues		39,955,619		36,535,932	
Central Government and Other Transfers					
LATF		124,703,798		87,085,277	
Road Maintenance Levy Fund		0		0	
Other Government Recurrent Grants		4,990,058		1,713,827	
Total Central Government and Other Revenues		129,693,856		88,799,104	
Total Operating Revenue		169,649,475		125,335,036	
OPERATING EXPENSES					
Employee costs	17	61,204,837		56,697,631	
Operating costs		66,716,547		40,607,237	
Repairs & Maintenance costs		30,859,108		31,768,408	
Depreciation & Amortization	14	6,752,309		7,292,325	
Total Operating Expenses		165,532,801		136,365,601	
Net Surplus/(Deficit) from Operating Activities		4,116,674		(11,030,565)	
(Bad Debts Provision)	21	0		0	
Interest earned		0		0	
(Interest paid)		0		0	
Gain/(Loss) on Disposal of Fixed Assets		0		0	
Total Non-Operating Revenue(Expenses)		0		0	
Net Surplus/(Deficit) before Extraordinary Items		4,116,674		(11,030,565)	
Extraordinary Items	22				
Net Surplus/(Deficit) after Extraordinary Items		4,116,674		(11,030,565)	
Provision for Renewals Fund	19				
Net Surplus/(Deficit) Carried to General Rate Reserve Fund		4,116,674		(11,030,565)	

LOCAL AUTHORITY MONITORING SYSTEM					
FA-3 STATEMENT OF FINANCIAL POSITION AS AT 30th June					2012
COUNTY COUNCIL OF BOMET	021		17	08	2012
Local Authority Name	Code		dd	mm	yyyy
		2012	2011		
	NOTE	KSh 000	KSh 000		
ASSETS					
Current Assets					
Cash and Cash equivalent	4	26,132,710	14,965,294		
Receivables/Debtors	5	41,710,117	20,420,705		
Deposits	6		-		
Prepayments	7				
Inventory	8		-		
Total Current Assets		67,842,827	35,385,999		
Non-Current Assets					
Investments	9		-		
Land & Buildings	14	185,871,594	186,616,250		
Capital Work in Progress	14		-		
Plant & Equipment	14	26,989,922	30,845,625		
Infrastructure	14		-		
Motor Vehicles	14	6,713,600	8,392,000		
Furniture, Fittings & Equipment	14	3,314,850	3,788,400		
Community Assets	14		-		
Housing Schemes	14		-		
Heritage Assets	14		-		
Total Non-Current Assets		222,889,966	229,642,275		
TOTAL ASSETS		390,732,793	265,028,274		
LIABILITIES					
Current Liabilities					
Payables/Creditors, Accruals & Provisions		2,664,000	5,163,632		
Consumer Deposits			-		
Current Portion of Long Term Loans			-		
Bank Overdraft			-		
Total Current Liabilities		2,664,000	5,163,632		
Non-Current Liabilities					
Long-Term Borrowings			-		
Total Non-Current Liabilities			-		
TOTAL LIABILITIES		2,664,000	5,163,632		
NET ASSETS		388,068,793	259,864,642		
NET ASSETS/ CAPITAL AND RESERVES					
Capital Contributed by Government Entities	16	374,273,398	250,185,921		
Renewals Fund	19		-		
Other Reserves	13		-		
General Rate Reserve Fund		13,795,395	9,678,721		
Housing Fund	10				
TOTAL NET ASSETS/ CAPITAL AND RESERVES		388,068,793	259,864,642		

LOCAL AUTHORITY MONITORING SYSTEM

FA-2 COUNCIL CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE,				2012
COUNTY COUNCIL OF BOMET	021	17	08	2012
Local Authority Name	Code	dd	mm	yyyy

	2012	2011
	KSh.000	KSh.000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts:		
Property Rates	1,788,976	6,513,240
Single Business Permit	12,789,709	12,760,010
Fees and Charges	30,367,592	23,205,702
Grants		1,713,827
LATF	124,703,798	87,085,277
R.M. Levy		-
Interest received		-
House rents & TPS Schemes		-
Dividends		-
Lease Income		-
Other Receipts		-
Total	169,649,475	131,278,056
Cash Payments		
Employee costs	61,204,837	56,697,631
Superannuation		
Supplies		
Interest paid		
Other payments	104,327,964	74,850,767
Total	165,532,801	131,548,398
Net Cash Flows From Operating Activities	4,116,674	(270,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase of plant and equipment)		
Proceeds from sale of investment/property		
(Purchase of investments)		
Net cash Flows investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings		-
(Repayment of borrowing)		-
Net cash flows from financing Activities	-	-
Net increase (decrease) in cash and cash equivalents	4,116,674	(270,342)
Cash and cash equivalent at Beginning of Period	22,016,036	15,235,636
Cash and cash equivalents as at 30th June,	26,132,710	14,965,294

Notes to Council Cash Flow Statement

Cash and cash equivalents consist of cash on hand and balances with banks and short term investments. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	2011/2012 KSh.000	2010/2011 KSh.000
Cash on hand and banks	26,132,710	14,965,294
Short term investments	0	0

RECONCILIATION OF NET CASH FLOW FROM OPERATING TO NET SURPLUS(DEFICIT) FROM ORDINARY ACTIVITIES

	2011/2012 KSh.000	2010/2011 KSh.000
Surplus/(deficit) from ordinary activities	10,816,860	(270,342)
Non Cash Movements	0	0
Depreciation	0	0
Increase in provision for bad debts	0	0
Increase in payables	(2,499,632)	4,946,638
Increase in current borrowings	0	0
Increase in provision relating to employee costs	0	0
Gain from sale of property	0	0
Proceeds of sale of fixed assets	0	0
Increase in other current assets	0	0
Increase in investments due to revaluation	0	0
Increase in receivables/debtors	121,640,968	2,608,533
Short term investments withdrawn	0	0
Extra Ordinary item	0	0
Net Cash from operating Activities	**129,958,196**	**7,284,929**

12. STATEMENT OF FINANCIAL PERFORMANCE SUMMARY BY FUND

COUNTY COUNCIL OF BOMET STATEMENT OF FINANCIAL PERFORMANCE SUMMARY BY FUND FOR THE YEAR ENDED 30TH JUNE 2012	GENERAL RATE FUND 2011/12 KSh.000	L.A.T.F FUND 2011/12 KSh.000	PRF1 FUND 2011/12 KSh.000	TOTAL 2011/12 KSh.000
OPERATING REVENUE				
Operating Revenue				
Own Source Revenues				
Property Rates	1,788,376	0	0	1,788,376
Contribution in Lieu of Rates	4,990,058	0	0	0
Cess and other levies	4,712,248	0	0	4,712,248
Single Business Permit	12,789,709	0	0	12,789,709
Licences	0	0	0	0
Market Fees	4,553,896	0	0	4,553,896
House Rent	749,310	0	0	749,310
Other Fees and Charges	14,468,168	0	0	14,468,168
Lease Income	0	0	0	0
Miscellaneous Revenue	893,912	0	0	893,912
Total Own Source Revenues	**44,945,677**	**0**	**0**	**44,945,677**
Central Government and Other Transfers				
LATF	0	124,703,798	0	124,703,798
Road Maintenance Levy Fund	0	0	0	0
Other Government Recurrent Grants	0	0	0	0
Total Central Government and Other Revenues	**0**	**124,703,798**	**0**	**124,703,798**
Total Income	**44,945,677**	**124,703,798**	**0**	**169,649,475**
Operating Expenses				
Employee costs	61,204,837	0	0	61,204,837
Operating costs	66,716,547			66,716,547
Repairs & Maintenance costs	10,842,932	20,016,176	0	30,859,108
Depreciation & Amortization	6,752,309	0	0	6,752,309
Total Operating Expenses	**145,516,625**	**20,016,176**	**0**	**165,532,801**
Net Surplus/(Deficit) from Operating Activities	(100,570,948)	104,687,622	0	4,116,674
Bad Debts Provision	0	0	0	0
Interest earned	0	0	0	0
Interest paid	0	0	0	0
Gain/(Loss) on disposal of Fixed Assets	0	0	0	0
Total Non-Operating Revenue(Expenses)	0	0	0	0
Net Surplus/(Deficit) From Ordinary Activities	0	0	0	0
Share of Surplus/(Deficit) of Associate	0	0	0	0
Net Surplus/(Deficit) before Extraordinary Items	0	0	0	0
Extraordinary Items	0	0	0	0
Net Surplus/(Deficit) for the Year				
Provision for Renewals Fund	0	0	0	0
Net Surplus / (Deficit) for the year	**(100,570,948)**	**104,687,622**	**0**	**4,116,674**

14. ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

COUNTY COUNCIL OF BOMET

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS

(A) Accounting Policies and Guidelines

The financial statements have been prepared using the following accounting policies.

14.1 Corporate receipts, customer and client receipts

Cash receipts are recorded in the service or departmental recurrent accounts and the summary recurrent account. An assessment of material debtors is carried out to determine the percentage of the amount realisable within the next twelve months. The amount of any debt not due for more than twelve months after the date of the financial statements will be considered in the Statement of Financial Position as Non-current Debtors.

Revenue is recognised as follows:

(a) Rates and Housing rental revenue are recognised when due.

(b) Revenue from the provision of goods and services is recognised when the title to goods is rendered to the customer.

(c) Licensing income is recognised when due.

14.2 Unpaid employee costs

The full cost of employees, including un-remitted statutory and other payroll deductions, is charged to the accounts of the period within which the employees worked. If there are unpaid salaries relating to the year of account, accruals are made and identified as a separate item in the Statement of Financial Position under Current Creditors. Where retrospective adjustments or special payments are required, for example through pay awards, the accounts are charged with the additional amount as soon as the amount becomes measurable to the accounts of the year. Exceptionally, paid leave that is not taken by the end of the year is not accrued, as changes from year to year are not normally material.

14.3 Un-remitted Statutory and other deductions

Statutory and other deductions not remitted at the end of the year are identified as Current Creditors.

14.4 Supplies and Services

All supplies and services are accrued and accounted for in the period during which they wer incurred. Accruals are made for all unpaid invoices at the year-end and identified as curre creditors.

14.9 Reserves

Renewals Fund

Under section 219 of the Local Governments Act, a local authority is expected to appropriate an amount from council's revenue to the Renewals Fund. This is supported by creating a separate bank account / investment for future replacement of fixed assets as per LAs replacement policy.

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a revaluation reserve. The revaluation surplus is realised, as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (Deficit). On disposal, the net revaluation on surplus is transferred to the accumulated surplus/ (Deficit) while gains or losses on disposal, based on revalued amounts are credited or charged to the Statement of Financial Performance.

14.10 Property Plant and Equipment

Cost

Property Plant and Equipment, is stated at cost, less accumulated depreciation and amortisation costs, except land, which is revalued as indicated below. Heritage assets, which are culturally significant resources and which are also shown at cost.

Depreciation policy

Depreciation is calculated on cost or valuation, using the Straight Line Method over the estimated useful lives of the assets .The annual depreciation rates are based along the following estimated lives:

Asset	Life of Asset Years	Depreciation Rate%
Infrastructure Public Works	30	2.5
Electrical	20-30	2.5
Water works	15-20	10
Housing	30	2.5
Buildings	40	2.5
Specialized Vehicles	10	20
Other Vehicles	5	20
Office Equipment	8	12.5
Furniture & Fittings	8	12.5
Bins and Containers	5	20
Specialized plant and equipment	8	12.5
Other items of plant and equipment	5	25
Landfill sites	15	7.5
Heritage Assets	0	0

Impairment of Assets

Items of property and equipment are stated at revalued amounts, being fair value at the date o revaluation less any subsequent accumulated depreciation and impairment losses on th properties.

14.15 Capital Funds and Reserves

The Council's financial statement present fund balances not available for appropriation or which are legally restricted by outside parties for use for specific purposes.

14.16 Construction Contracts

The breakdown of the work in progress is disclosed at the end of the year, by providing a schedule of movements from the initial costs incurred, completed part of the project, and the balance carried down as still in progress by end of the year.

14.17 Interfund Receivables, Payables, and Transfers

The composition of inter-fund transfers is worked out by the Council at the end of the year, to ensure that any movements between GRF, Housing, RMLF, and any other transfers are captured at the end of the year, and the effect of the balances is nil on preparation of the Council Statement of Financial Position.

14.18 Restricted Funding

Where Local Authorities receive funds from bilateral or multilateral donors, such disbursements based on the conditions set out are treated under restricted funding. Under such conditions, any balance of funds un-spent is left in the statement of financial position as amount owed to the donor.

14.19 Related Party Transactions

Related party transactions and the amount incurred on such transactions are disclosed, where they exist, in the Notes to the Accounts .

14.20 Changes in Net Assets/Capital and Reserves

A statement showing the movement in reserves and capital is included in the Financial Statements. The statement includes the following details:

- The net surplus or deficit for the period
- Each item of revenue and expense, which, as required by other standards, is recognised directly in Net Assets/Capital and Reserves, and the total of these items; and
- The cumulative effect of changes in accounting policy and the correction of fundamental errors that are dealt with under the benchmark treatment in IPSAS 3.
- The benchmark treatment requires that fundamental errors that relate to prior periods be reported by adjusting the opening balance of accumulated surpluses/(deficits). Comparative information should be restated, unless it is impracticable to do so.
- The statement also discloses the following:
  - The nature of the fundamental errors
  - The amount of the correction for the current period and for each prior period presented
  - The amount of the correction relating to periods prior to those included in the comparative information
  - The fact that comparative information has been restated or that it is impracticable to do so.

(B) Notes to Financial Statements

1 *Basis of Preparation*

The financial statements have been prepared in line with International Public Sector Accounting Standards under accrual accounting on a historical cost basis as modified by the revaluation of fixed assets and the accounting policies set out above have been applied consistently throughout the period.

2 *Reporting Entity*

Legal Notice Number 364 dated 19th October 1992 created the County Council of Bomet , as a County is covered by section 12 of the Local Government Act Cap.265 of the Laws of Kenya.

3 *Consolidation*

(a) *The Local Authority do not holds ownership interests and/or voting rights in any incorporated company*

(b) The Financial Statement of the Council as a separate entity have been aggregated from the General Rate Fund, RMLF, Water Fund, Housing Fund and other self distinguishable segments and activities of the LA.

(c) The Consolidated Financial Statements of the Council together with all its controlled entities have been derived from their separate financial statements.

4 *Cash and Cash Equivalents*	**Council**		**Consolidated**	
	2011/2012 KSh.000	**2010/2011 KSh.000**	**2011/12 KSh.000**	**2010/11 KSh.000**
4 (a) *Cash and Cash Equivalents*				
(i) **Cash on Hand**	**351,556**	**741,373**	0	0
(ii) **Cash at Bank**			0	0
A/C No. 1105839206 - EU PRF1	4,656	130,756		
A/C No.1104925230-LA Service Charge	20,098,867	13,732,311	0	0
A/C No. 1104988852 - LATF Savings	2,247,589	86,891	0	0
A/C No. 1105842568 - CCB – PRF2	1,633	2,933	0	0
A/c. No.111708075 -KKV	0	271,030	0	0
A/C No.1220299307675 –CCB – Embomos Tea Farm A/c.	735,515			
A.C. No. 1105828336 - GRF	2,071,809	(75,974)	0	0
A/C. No. 1105839338 - LATF Current	621,085	(4,180,140)	0	0
Total Cash at Bank	**25,781,154**	**14,223,921**	0	0
(iii) **Short Term Deposits**	0	0	0	0
Total Cash and Cash Equivalents	**26,132,710**	**14,965,294**	0	0