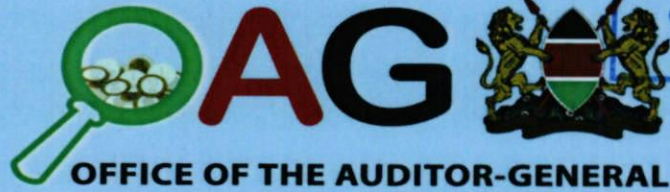


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REPORT

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OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY ASSEMBLY
(MEMBERS) CAR LOAN FUND**

**FOR THE YEAR ENDED
30 JUNE, 2016**

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**



**BARINGO COUNTY ASSEMBLY (MEMBERS) CAR LOAN FUND
REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
30 JUNE 2016**

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

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year Ended 30 June 2016**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Baringo County Assembly (Members) Car Loan Fund is established by and derives its authority and accountability from the Public Finance Management (Baringo County Assembly Members Car Loan Scheme Fund Regulations 2014). The Fund is wholly owned by the County Assembly of Baringo and is domiciled in Kenya.

The fund's object and purpose is to provide a loan scheme for the purchase of motor vehicles by members of the County Assembly as is prescribed by the Salaries and Remuneration Commission in their letter dated 27th November 2013.

b) Principal Activities

The Fund's principal activity is the provision of car loans to the Members of County Assembly and ensuring that loans advanced are recovered.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. David Kiplagat	Chairman
2	Hon. Lawi Tallam	Vice Chairman
3	Hon. Sam Lourien	Member
4	Hon. Maria Losile	Member
5	Hon. Charles Kosgei	Member
6.	CPA Richard Koech	Fund Administrator
7.	Betty Toroitich	Legal Officer(ex-officio member)
8.	Nehemiah Kandie	Fund Accountant (ex-officio member)

d) Key Management

Ref	Name	Position
1.	CPA Richard Koech	Fund Administrator
2.	Betty Toroitich	Legal Officer
3.	Nehemiah Kandie	Fund Accountant

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

e) Registered Offices

P.O. Box 159 -30400
County Assembly Building
Kabarnet – Iten Road
Kabarnet, KENYA

f) Fund Contacts

Telephone: (254) 053-22115
E-mail: baringocountyassembly@gmail.com
Website: www.baringoassembly.go.ke

g) Fund Bankers

Kenya Commercial Bank
Kabarnet Branch
P.O. Box 175-30400
Kabarnet

h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

i) Principal Legal Adviser

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

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
1. Hon. David Kiplagat - The Speaker of the County Assembly (Chairperson)	Year of Birth: 1968 Key Qualifications: An Advocate of the High Court of Kenya with over 24 years experience in legal practice Work experience : Currently the Hon. Speaker, Baringo County Assembly
2. Hon. Lawi Tallam - Leader of Majority Party to the County Assembly(Vice Chairperson)	Year of Birth: 1977 Key Qualifications: K.C.S.E Work experience : Currently Leader of Majority, Baringo County Assembly
3. Hon. Sam Lourien -Leader of Minority Party to the County Assembly (Member)	Year of Birth:1984 Key Qualifications: Diploma in Public Administration Work experience : Currently Leader of Minority, Baringo County Assembly
4. Hon. Maria Losile (Member)	Year of Birth:1967 Key Qualifications: Certificate in Primary Teachers Examination Work experience : Currently Member, Baringo County Assembly
5. Hon. Charles Kosgei (Member)	Year of Birth:1954 Key Qualifications: Certificate in Primary Teachers Examination Work experience : Currently Member, Baringo County Assembly
6. CPA Richard Koech – Administrator of the Fund and Secretary to the Committee (Clerk to County Assembly)	Year of Birth:1976 Key Qualifications: Masters in Business Administration in Finance (UoN) Bachelor of Commerce (Accounting Option) CPA (K) Completed: -Strategic Leadership Development Programme -Senior Management Course Certified Public Finance Management Accountant Member: -ICPAK -KIM Work experience: -9 Years as an Auditor with Office of the Auditor General -Chief Officer Finance for 6 years (Baringo County Government & West Pokot County Government) -Currently the Clerk to Baringo County Assembly

**Baringo County Assembly (Members) Car Loan Fund
 Reports and Financial Statements
 For the Year ended 30 June 2016**

7. Betty Toroitich – the County Assembly Legal Officer (ex-officio member)	Year of Birth:1986 Key Qualifications: Bachelor of Law Work experience : Currently Legal Officer, Baringo County Assembly
8. Nehemiah Kandie-Principal Accountant (ex-officio member)	Year of Birth:1981 Key Qualifications: Bachelor of Business Administration (Accounting Option) and CPA (K). Work experience: Currently Principal Accountant, Baringo County Assembly. Previous Work Experience: 2010-2013: Accountant, World Vision Kenya; 2008-2010: Internal Auditor, Boresha Sacco Society Ltd

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

3. MANAGEMENT TEAM

Name of the Staff	Responsibility
CPA Richard Koech	Clerk to the Assembly
Betty Toroitich	Legal Officer
Nehemiah Kandie	Fund Accountant

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

4. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present the Baringo County Assembly (Members) Car Loan Fund amended reports and financial statements for the Year ended 30 June 2016. The financial statements present the financial performance of the Fund over the past twelve months.

(a) Loan disbursements

During the period under review, Ksh. 1,050,000 was disbursed as Car Loans to one Member. The sources of the funds were the revolving fund from the loan recoveries.

(b) Surplus for the period

During the period under review, the Fund realized a surplus of Ksh. 1,623,145 was realised.

(c) Future Outlook of the Fund

All Members of the County Assembly have been advanced Car Loans in the period under review. Further, all loans advanced have been recovered. This is a revolving Fund with loan recoveries building up for onward lending to the incoming Members in the Second Assembly.

(d) Conclusion

In conclusion, the year ended 30 June 2016 was a good time in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. The Fund has been instrumental in facilitating the Members purchase motor vehicles to improve their welfare and enable them deliver on their mandate.

I thank all Members and staff in the entire County Assembly for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: 

Chairperson: Hon. David Kiplagat

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Baringo County Assembly (Members) Car Loan Fund amended reports and financial statements for the Year ended 30 June 2016. The financial statements present the financial performance of the Fund over the past twelve months.

(a) Loan disbursements

(b) During the period under review, Ksh. 1,050,000 was disbursed as Car Loans to one Member. The sources of the funds were the revolving fund from the loan recoveries.

(c) Surplus for the period

(d) During the period under review, the Fund realized a surplus of Ksh. 1,623,145 was realised.

(e) Future Outlook of the Fund

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(f) Conclusion

In conclusion, the Year ended 30 June 2016 was a good time in general. Good progress was made and the momentum has been created to enable the Fund on a trajectory into prosperity. The Fund has been instrumental in facilitating the Members purchase motor vehicles to improve their welfare and enable them deliver on their mandate.

I thank all Members and staff in the entire County Assembly for their continued commitment and dedication through hard work in delivering services to the people of Baringo County.

Signed: _____

Fund Administrator: CPA Richard Koech



**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

6. CORPORATE GOVERNANCE STATEMENT

Baringo County Assembly consists of the Members of County Assembly (MCAs) who are elected by the people to represent them in the Assembly. The County Assembly (CA) in the period under review composed of 30 elected and 18 nominated members. The County Assembly is headed by the Speaker, who is elected by the MCAs.

During the Year ended 30 June 2016, the Loans Management Committee held two meetings. The meetings of the Committee are convened by the Chairperson or in the absence of the Chairperson, by a member designated by the Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions. The quorum for a meeting of the Committee shall be Chairperson and any other three members.

The Committee administers the Fund by:

- (a) Processing applications for loans in accordance with the existing terms and conditions of borrowing;
- (b) Liaising with the housing company (if any) to set up a revolving fund for the disbursements of the loans; and
- (c) Supervising the day-to-day running of the Fund.

The annual financial statements of the Fund are subject to audit by the Auditor- General.

7. MANAGEMENT DISCUSSION AND ANALYSIS

The major risk facing the Assembly's Car Loan & Mortgage Fund is loan default in case of the death of a member. However, this risk has been mitigated by insuring all the members' loans for the benefit of the member of the scheme. This will ensure that in the unfortunate death of a member of the Fund, the loan balance due to the Fund will be reimbursed by the Insurance Company.

Where a repayment of loan is not made in accordance with the terms and conditions of the Regulations, the sums of money due and owing to the Fund shall be recoverable by the Loans Committee, without prejudice to any other remedy, in civil proceedings in the High Court.

All car loans granted to the Members are currently being recovered through the payroll check-off system from the members' monthly emolument. There is currently no major financial improbity as reported by internal audit/Board audit committee, external auditors, or other County Government Agencies providing oversight.

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year ended 30 June 2016**

8. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2016 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide a loan scheme for the purchase of motor vehicles by members of the County Assembly as prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended 30 June 2016 are set out on page 14 to 18.

Trustees

The members of the Board of Trustees who served during the year are shown on page 4& 5.

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 Board



Member of the Board

Date: 26th August 2020

9. 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 the Baringo County Assembly Members Car Loan Scheme Regulations 2014 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 year ended on 30 June 016. 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 Public Finance Management Act, 2012 and the Baringo County Assembly Members Car Loan Scheme Regulations 2014. 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 year ended on June 30, 2016, 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 Board on 26th August 2020 and signed on its behalf by:

for ~~the~~ *the*
Administrator of the County Public Fund



REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY ASSEMBLY (MEMBERS) CAR LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2016

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Baringo County Assembly (Members) Car Loan Fund set out on pages 14 to 26, which comprise the statement of financial position as at 30 June, 2016, and the statement of financial performance, statement of changes in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2016. 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Baringo County Assembly (Members) Car Loan Fund as at 30 June, 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management (Baringo County Assembly Members Car Loan Scheme Fund) Regulations, 2014 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

Lack of Joint Registration of Log Books

As previously reported, the statement of financial position as at 30 June, 2016 reflects long term receivables balance of Kshs.27,594,857 and current receivables balance of Kshs.2,890,592. These funds were directly transferred to members' accounts for purchase of motor vehicles. However, audit revealed that the logbooks for the purchased motor vehicles surrendered were not jointly registered with the Baringo County Assembly.

In the circumstance, the regularity and recoverability of the total receivable balance of Kshs.30,485,449 as at 30 June, 2016 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Baringo County Assembly (Members) Car Loan 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.

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 in the year under review.

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. I confirm that, nothing 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

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, 2016, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

During the year under review, it was noted that the Fund did not have a risk management policy in place and therefore had no approved processes and guidelines on how to mitigate operational, legal and financial risks. There were no policies and procedures to guide on key financial processes and controls with a data recovery plan.

Therefore, the Fund lacked an internal audit and control function.

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 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 control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, 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, 2016.

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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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, 2016 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, 2016 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control 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 control 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 control 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 control.
- 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 the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022

11. FINANCIAL STATEMENTS

11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
 JUNE 2016

	Note	2015/2016	2014/2015
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	1,625,255	1,815,474
Total revenue		1,625,255	1,815,474
Expenses			
Bank Charges	2	2,110	-
Total expenses		2,110	-
Surplus for the period		1,623,145	1,815,474

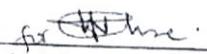
The notes set out in page 26 & 27 form an integral part of these Financial Statements

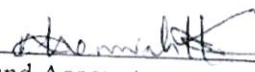
**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year Ended 30 June 2016**

11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2015/2016 KShs	2014/2015 KShs
Assets			
Current assets			
Cash and cash equivalents	3	68,953,170	32,103,683
Current portion of long term receivables from exchange transactions	4	2,890,592	6,873,407
Non-current assets			
Long term receivables from exchange transactions	4	27,594,857	58,838,384
Total assets		99,438,619	97,815,474
Equity and Liabilities			
Revolving Fund		96,000,000	96,000,000
Accumulated surplus		3,438,619	1,815,474
Total equity and liabilities		99,438,619	97,815,474

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 26th August 2020 and signed by:


 Administrator of the Fund
 Name: CPA Richard Koech
 ICPAK Member No.8319


 Fund Accountant
 Name: Nehemiah Kandie
 ICPAK Member No.:21734



11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2016

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 April 2014	-	-	-	-
Surplus/(deficit) for the period	-	-	1,815,474	1,815,474
Funds received during the year	96,000,000	-	-	96,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2015	96,000,000	-	1,815,474	97,815,474
Balance as at 1 July 2015	96,000,000	-	1,815,474	97,815,474
Surplus/(deficit) for the period	-	-	1,623,145	1,623,145
Balance as at 30 June 2016	96,000,000	-	3,438,619	99,438,619

**Baringo County Assembly (Members) Car Loan Fund
Reports and Financial Statements
For the Year Ended 30 June 2016**

11.4. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2016

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2016	2016	2016	2016	2016	2016
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Interest income	1,747,586	-	1,747,586	1,625,255	122,331	93%
Total income	1,747,586	-	1,747,586	1,625,255	122,331	93%
Expenses						
Bank Charges	2,370	-	2,370	2,110	260	89%
Total expenditure	2,370	-	2,370	2,110	260	89%
Surplus for the period	1,745,216	-	1,745,216	1,623,145	122,071	93%

11.5. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2015/2016	2014/2015
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received		1,415,698	1,558,199
Transfers from the County Government		-	96,000,000
Total Receipts		1,415,698	97,558,199
Payments			
Loan Insurance Premium		-	980,000
Bank Charges	2	2,110	-
Total Payments		2,110	980,000
Net cash flows from operating activities		1,413,588	96,578,199
Cash flows from investing activities			
Proceeds from loan principal repayments		36,485,898	32,545,483
Loan disbursements paid out		(1,050,000)	(97,020,000)
Net cash flows used in investing activities		35,435,898	(64,474,517)
Net increase/(decrease) in cash and cash equivalents		36,849,486	32,103,682
Cash and cash equivalents at 1 July 2015		32,103,682	-
Cash and cash equivalents at 30 June 2016	3	68,953,170	32,103,682

**Baringo County Assembly (Members) Car Loan Fund
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11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • 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;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>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:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2016.

3. 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

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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.

4. 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.

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 a entity of financial assets is impaired. A financial asset or a 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 a 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

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- 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.

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.

5. 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.

6. 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.

7. 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.

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8. Comparative figures

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

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by the Baringo County Assembly Members Car Loan Scheme Regulations 2014 under County Assembly of Baringo. Its ultimate parent is the County Assembly of Baringo.

11. Currency

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

12. 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.

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.

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

13. 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 entity's management based on prior experience and their assessment of the current economic environment.

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees 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.

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

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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. 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 entity'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.

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest Income

Description	2015/2016	2014/2015
	KShs	KShs
Interest income received from Car Loans (cash)	1,415,698	1,558,199
Interest income from Car Loans (non-cash)	209,557	257,275
Total	1,625,255	1,815,474

The interest income relates to interest earned on car loans for the year ended 30th June 2016 at the rate of 4.733% p.a. for the 47 Members, 8% p.a. for the Hon. Speaker and 3.359% for Hon. Charles Kamuren. As at 30 June 2016, Ksh. 1,415,698 had been earned and received as cash while Ksh.209,557 had been earned but the cash had not been received.

2. Bank Charges

Description	2015/2016	2014/2015
	KShs	KShs
Bank Charges	2,110	-
Total	2,110	-

3. Cash and cash equivalents

Description	2015/2016	2014/2015
	KShs	KShs
Baringo County Assembly Car Loan Fund Account	68,953,170	32,103,683
Total cash and cash equivalents	68,953,170	32,103,683

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2015/2016	2014/2015
		KShs	KShs
a) Current account			
Kenya Commercial bank	1152063324	68,953,170	32,103,683
Total		68,953,170	32,103,683

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4. Receivables from exchange transactions

Description	2015/2016	2014/2015
	KShs	KShs
Current Receivables		
Current loan repayments due	2,890,592	6,873,407
Total Current receivables	2,890,592	6,873,407
Non Current receivables		
Long term loan repayments due	27,594,857	58,838,384
Total Non- current receivables	27,594,857	58,838,384
Total receivables from exchange transactions	30,485,449	65,711,791

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12. 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)
N/A	N/A	N/A	N/A	N/A	N/A

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

Note:

There were no audit recommendations in the year ended 30 June 2016 since the final audit report for the fifteen (15) months period ended 30 June 2015 had not been received.

