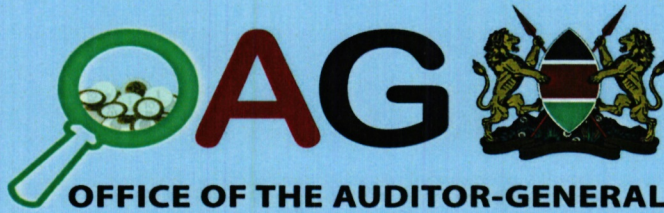


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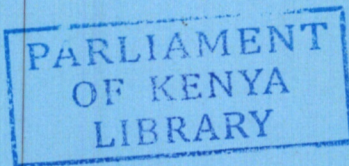
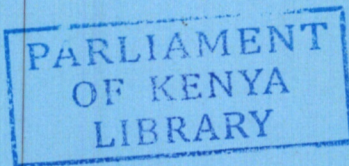


OFFICE OF THE AUDITOR-GENERAL

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REPORT



OF

THE AUDITOR-GENERAL

ON

**BARINGO COUNTY ASSEMBLY CATERING
AND HEALTH SERVICES SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



**BARINGO COUNTY ASSEMBLY
CATERING AND HEALTH SERVICES SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Section 116 of Public Finance Management Act of 2012 gives powers to County Executive member for finance to establish other Public funds which necessitated the establishment of Baringo County Assembly Catering and Health Services Scheme Fund Regulation of 2017. The fund is wholly owned by the Baringo County Assembly and is domiciled in Kenya. The Baringo County Assembly Catering and Health Services Scheme Fund became operational in November 2017 with an injection of initial capital of Ksh. 300,000 appropriated by the County Assembly.

b) Principal Activities

To provide for the purchase of catering equipment, managing and administration of the restaurant activities and for matters related or incidental thereto.

Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Charles Bowen	Chairman
2	Hon. Jeruto Kiptalla	Vice Chairman
3	Hon. Valerie Ngeny	Member
4	Hon. Elizabeth Kipsang	Member
5	Hon. David Kiplagat	Member
6	Hon. Francis Kibai	Member
7	Hon. Reuben Chepsongol	Member
8	Hon. Cornelius Cheruiyot	Member
9	CPA. Richard Koech	Ex officio member
10	Miss. Elima Tallam	Ex officio member
11	Mr. Amos Cherogony	Ex officio member

c) Key Management

Ref	Name	Position
1	CPA. Richard Koech	Fund administrator
2	Miss. Elima Tallam	Catering Manager
3	Mr. Andrew Chebolei	Fund Accountant

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

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Kenya Commercial Bank
Kabarnet Branch
P.O. Box 175-30400
Kabarnet
Account number 1219723320

h) Auditor General




Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 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 Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020




2. Board of Trustees

Name	Details of qualifications and experience
<p>1.</p>  <p>Hon. Charles Bowen (Chairperson)</p>	<p>Year of Birth: 1947 Key Qualifications: Graduate Approved Teacher 1 Work experience : Currently the Member, Baringo County Assembl</p>
<p>2.</p>  <p>Hon. Jeruto Kiptalla (Vice chairperson)</p>	<p>Year of Birth: 1988 Key Qualifications: Diploma in Procurement Work experience : Currently the Member, Baringo County Assembl</p>
<p>3.</p>  <p>Hon. Vallery Ngeny (member)</p>	<p>Year of Birth: 1989 Key Qualifications: Degree Bachelor of Education Work experience : Currently the Member, Baringo County Assembl</p>



Baringo County Assembly Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

<p>4.</p>  <p>Hon. Elizabeth Kipsang (member)</p>	<p>Year of Birth: 1967 Key Qualifications: Certificate in Entrepreneurship Work experience : Currently the Member, Baringo County Assembly</p>
<p>5.</p>  <p>Hon. David Kiplagat (member)</p>	<p>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 Speaker, Baringo County Assembly</p>
<p>6.</p>  <p>Hon. Francis Kibai (member)</p>	<p>Year of Birth: 1983 Key Qualifications: Certified Public Accounts section 11 Work experience : Currently the Member, Baringo County Assembly</p>

Baringo County Assembly Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

<p>7.</p>  <p>Hon. Reuben Chepsongol (member)</p>	<p>Year of Birth: 1969 Key Qualification Work experience: Currently the member of Baringo County Assembly.</p>
<p>8.</p>  <p>Hon. Cornelius Cheruiyot (member)</p>	<p>Year of Birth: 1991 Key Qualifications: Diploma in Civil Engineering Work experience : Currently the Member, Baringo County Assembl</p>
<p>9.</p>  <p>CPA. Richard Koech (ex-officio member)</p>	<p>Year of Birth: 1976 Key Qualifications: Masters of Business Administration (UoN), Bachelor of Commerce in Accounting, CPA (K) Completed: Strategic Leadership, Development Programme, Senior Manager Course, Certified Public Finance and Management Accountant Member of ICPAK and KIM Work experience: Auditor –OAG (9 years) Chief Officer- Finance (6years) Currently Clerk to the Baringo County Assembly.</p>

Baringo County Assembly Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

<p>10.</p>  <p>Mr. Amos Kiprop (ex-officio member)</p>	<p>Year of Birth: 1982 Key Qualifications: Degree Bachelors of Applied Science Work experience: Currently Principal Sergeant at Arms, Baringo County Assembly.</p>
<p>11.</p>  <p>Miss. Elima Tallam (ex-officio member)</p>	<p>Year of Birth: 1963 Key Qualifications: Degree Bachelors Hotel and Hospitality Management Work experience: Catering Manager, Baringo County Assembly</p>

3. STATEMENT OF PERFORMANCE AGAINST BARINGO COUNTY ASSEMBLY CATERING AND HEALTH SERVICES SCHEME FUND PREDETERMINED OBJECTIVES

The object of the Fund shall be to provide for the purchase of catering equipment, managing and administration of the restaurant activities and for matters related or incidental thereto.

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.

Baringo Catering and Health Services Scheme Fund has served its major purpose to offer the members quality catering services, privacy, safety and has saved them time to discharge their mandate of oversight, representation and legislation and is entirely indebted to the Baringo County Assembly management for the noble course.

Objectives of the Fund

To Purchase equipment for improvement of the catering facility.

Provide quality catering services to the members of county assembly and the staff hence enhancing their welfare.

Provide privacy to members to enable them represent, legislate and oversight on their mandate.

Opportunities of the Fund




To improve on the health- promoting facilities like provision of gym and other related activities that promote body fitness.

The provision of quality catering and other services has presented an opportunity for members to concentrate on plenary work since little time is wasted to cater for their welfare.

Challenges

There is inadequate funding from the County since there are other emerging urgent and important programs that require funds.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1.</p>  <p>CPA. Richard Koech Fund administrator</p>	<p>Year of Birth: 1976 Key Qualifications: Masters of Business Administration (UoN), Bachelor of Commerce in Accounting, CPA (K) Completed: Strategic Leadership, Development Programme, Senior Management Course, Certified Public Finance and Management Accountant Member of ICPAK and KIM Work experience: Auditor –OAG (9 years) Chief Officer- Finance (6years) Currently Clerk to the Baringo County Assembly.</p>
<p>2.</p>  <p>Miss. Elima Tallam Catering manager</p>	<p>Year of Birth: 1963 Key Qualifications: Degree Bachelors Hotel and Hospitality Management Work experience: Catering Manager, Baringo County Assembly.</p>
<p>3.</p>  <p>Mr. Andrew Chebolei Fund accountant</p>	<p>Year of Birth: 1982 Key Qualifications: Diploma in Accounting, CPA (K) Work experience: accountant, Baringo County Assembly.</p>

5. BOARD/FUND CHAIRPERSON'S REPORT

The membership of the Catering and Health Services Scheme Fund is composed of 8 Honourable members of County Assembly and 3 ex-officio members who are mandated with the management and operations of the Fund.

The committee's operations are guided by the Catering and Health Services Scheme Fund Regulations of 2017 and other relevant laws. The Catering and Health Services committee shall be constituted by session of the County Assembly whose membership shall conform to the constitution. The meetings of the committee shall be convened by the chairperson or in the absence of the chairperson, by a member designated by the chairperson and shall be convened at such a times as may be necessary for the discharge of committee functions.

In the year ended 30 June 2020, there were changes in the Fund in regards to the key board or management team with the recruitment of substantive clerk to the Assembly in November 2019 and the structure was as established by the regulations and House Resolutions.

The Fund became operational in November 2017 with an injection of initial Capital of Kshs. 300,000 that was used for purchase of food and drinks for the members' restaurant and the bar. The Fund has realised a surplus of Kshs. 480,165 for the period.

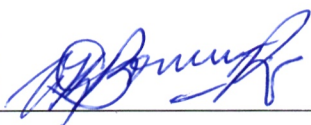
Based on the performance of the Fund in terms of incomes and expenditure trends, during the financial year, the fund intends to undertake the following:

- Increasing the purchase of foods and drinks or other goods for supply for the members' restaurant and the bar in the County Assembly;
- Purchasing equipment for improvement of the catering facility.

To be able to enhance efficient and effective operation of the fund, the management requests for an additional budgetary allocation.

In conclusion, the Fund has served its major purpose to offer the members quality Catering services, privacy, safety and has saved them time to discharge their mandate of Oversight, Representation and Legislation and is entirely indebted to the Baringo County Assembly Management for the noble course.

Signed: _____



Hon. Charles Bowen

6. REPORT OF THE FUND ADMINISTRATOR

The membership of the Catering and Health Services Scheme Fund is composed of 8 honourable members of County Assembly and 3 ex-officio members who are mandated with the management and operations of the Fund.

The committee's operations are guided by the Catering and Health Services Scheme Fund Regulations of 2017 and other relevant laws. The objective and purpose of the fund is to provide quality catering services to the members and staff of the County Assembly. The Fund's key management are composed of three members that is, the fund administrator, catering manager, and the fund accountant.

In the year ended 30 June 2020, there were changes in the Fund in regards to the key board or management team with the recruitment of substantive clerk to the Assembly in November 2019 and the structure was as established by the regulations and House Resolutions.

The Fund became operational in November 2017 with an injection of initial capital of Kshs. 300,000 that was used for purchase of food and drinks for the members' restaurant. Further, the fund generated an income of Ksh2, 398,055 compared to 2,929,209 in the prior year. The cost of sales of Ksh 1,908,142 compared to Ksh 2,823,007 in the prior year and expenditure of Ksh 9,748 compared to Ksh 7,768 in the prior year.

The fund realised a surplus of Ksh 480,165 for the period under review compared to Ksh 128,434 in financial year 2018/2019. The staff in the catering department undertook training on Food and Beverage control and customer care at the Utalii College in Nairobi based on the training needs and availability of funds.

Based on the performance of the Fund in terms of incomes and expenditure trends, during the financial year, the fund intends to undertake the following:

- Increasing the purchase of foods and drinks or other goods for supply for the members' restaurant in the County Assembly;
- Purchasing equipment for improvement of the catering facility.

To be able to enhance efficient and effective operation of the fund, the management requests for an additional budgetary allocation.

In conclusion, the Fund has served its major purpose to offer the members quality catering services, privacy, safety and has saved them time to discharge their mandate of oversight, representation and legislation and is entirely indebted to the Baringo County Assembly management for the noble course.

Signed: _____

CPA Richard Koech



7. CORPORATE GOVERNANCE STATEMENT

The county executive committee member for finance shall designate a person responsible for administration of the fund in accordance with section 116 (2) of the Public Finance Management Act 2012 with approval of County Assembly. The Public Procurement and Asset Disposal Act of 2015 and regulation shall guide the procurement of goods and services.

During the year ended 30 June 2020 the Catering and Health Services Scheme Fund held 63 sittings. The process of appointment is laid out in the fund regulation that is the committee shall elect the chairperson amongst themselves in addition to the constituted members, there shall be three ex-officio members namely, the clerk to the Assembly, the catering manager and the sergeant at arms. The recruitment of staff is done by the Baringo County Assembly Service Board.

The roles

The committee shall ensure that all the expenditure incurred and the profits realized therein shall be used in:

Purchasing of food, drinks or other goods for supply to the members restaurant and bar in the county assembly.

Purchasing equipment or improvement of the catering facility.

The committee shall ensure that the monies accrued from the restaurant are used in a manner as deemed just and fit.

The committee allowance is determined based on Salaries and Remuneration Commission Circular. The annual financial statements of the fund are subject to the Auditor General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Baringo County Assembly Catering and Health Scheme Fund became operational in November 2017 with an injection of initial capital of Ksh. 300,000. During the year under review the fund generated sales of Ksh 2, 398, 055, cost of sales of Ksh 1,908,142 and expenditure of Ksh 9,748. There was additional acquisition of equipment.

The fund realised a surplus of Ksh 480,165 for the year ended 30 June 2020. The entity's operations are in compliance with the Assembly's Catering and Health Services Scheme Fund Regulation 2017 and other relevant laws.

The officer administering the Fund shall ensure that the accounts for the Fund and the annual financial statements relating to those accounts comply with the accounting standards prescribed and published by the Accounting Standards Board from time to time.

There are currently no ongoing or potential court cases and no default reported in relation to the fund. The fund is not planning to undertake a major investment project but is optimizing on the available resources and investment already made. There is currently no major financial improbity as reported by internal audit/Board committee and external auditors.

Baringo County Assembly Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for year ended 30 June 2020 which show the state of the Fund affairs.

Principal activities

To provide for the purchase of catering equipment, managing and administration of the restaurant activities and for matters related or incidental thereto.

Results

The results of the Fund for the year ended 30 June 2020 are set out on page 17 to 21 of this report.

Trustees

The members of the Board of Trustees who served during the period under review are shown on page 4 to 7.

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: 11/11/2021

Baringo County Assembly Catering and Health Services Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

10. 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 *Baringo County Assembly Catering and Health Services Scheme Fund* 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 Baringo County Assembly Catering and Health Services Scheme 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, 2020. 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 Baringo County Assembly Catering and Health Services Scheme 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 *Baringo County Assembly Catering and Health Services Scheme Fund*. 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, 2020, 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 Baringo County Assembly Catering and Health Services Scheme 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 11/01/ 2021 and signed on its behalf by:

Administrator of the County Public Fund



REPUBLIC OF KENYA



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON BARINGO COUNTY ASSEMBLY CATERING AND HEALTH SERVICES SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Baringo County Assembly Catering and Health Services Scheme Fund set out on pages 17 to 37, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts 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, 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 Baringo County Assembly Catering and Health Services Scheme Fund as at 30 June, 2020, 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 Act, 2012 and the Public Finance (Baringo County Assembly Catering and Health Services Scheme Fund) Regulations, 2017.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements for year ended 30 June, 2020 prepared and presented for audit had the following inaccuracies: -

- i. Note 2 to the financial statements on cost of sales has not indicated costs involved including purchase of raw materials;

- ii. Note 5 to the financial statements on inventory is disclosed as a block figure contrary to the reporting template which require classification as either consumable stores, spare parts and meters, catering and other inventories;
- iii. Note 10 to the financial statements on net changes in accounts receivables has not included the accounts receivables issued during the year of Kshs.352,000 which are disclosed under Note 6 to the financial statements;
- iv. Note 10 to the financial statements on net changes in accounts receivables reflect opening account receivable of Kshs.519,170. However, the comparative balance was Kshs.290,995 resulting to unreconciled variance of Kshs.228,175.
- v. Note 11 to the financial statements on changes in accounts payables has not included the accounts payables held during the year of Kshs.9,050 as disclosed under Note 7 to the financial statements;
- vi. Note 11 to the financial statements changes in accounts payables reflect opening account receivable of Kshs.320,544. However, previous year closing balance was Kshs.161,491 resulting to unreconciled variance of Kshs.159,053.
- vii. No disclosure in form of an annex has been attached for the summary of the fixed assets of the Fund.

Consequently, the accuracy and completeness of the balances reflected in the financial statements could not be confirmed.

2. Unsupported Sales of Goods

The statement of financial performance and as disclosed in Note 1 to the financial statements, reflects sales of goods balance of Kshs.2,398,055 (2019 – Kshs.2,959,209). However, the schedule provided reflected Kshs.2,565,225 resulting to unreconciled or unexplained variance of Kshs.167,170. In addition, detailed schedule to indicate daily sales schedules from captain orders that would be matched with the receipts were not provided.

Consequently, the accuracy and validity of sale of goods balance of Kshs.2,398,055 could not be ascertained.

3. Variance in Cost of Sales

The statement of financial performance and as disclosed in Note 2 to the financial statements, reflects costs of sales balance of Kshs.1,908,142. However, the balance differed with the supporting schedules balance of Kshs.2,219,636 resulting to unexplained variance of Kshs.311,494.

Consequently, the accuracy and completeness of cost of sales balance of Kshs.1,908,142 could not be ascertained.

4. Unsupported Accounts Receivables

The statement of financial position and as disclosed in Note 6 to the financial statements, reflects accounts receivables of Kshs.352,000.. However, the schedule provided did not show opening balances as at 1 July, 2019 and closing balances as at 30 June, 2020.

Under the circumstances, the accuracy and completeness of accounts receivables balance of Kshs.352,000 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 Catering and Health Services 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.

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 COMPLIANCE WITH 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 of my report, 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. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects final budget for sales of Kshs.2,398,055 and cost of sales at Kshs.1,908,142 which are similar to the actual amounts. However, the approved budget estimates were not provided thereby contravening Regulation 7 (3) (e) of the Public Finance (Baringo County Assembly) Catering and Health Services Scheme Fund) Regulations, 2017.

To this extent the Management is in breach of the law.

2. Non-Adherence to Fund Regulations

The statement of financial performance and as disclosed in Note 1 to the financial statements, reflects sale of goods balance of Kshs.2,398,055. However, review of the Fund's records revealed non-compliance with the Public Finance (Baringo County Assembly Catering and Health Services Scheme Fund) Regulations, 2017 on operations of the restaurant as detailed out below:

- i. There was no evidence that individual ledgers/schedules were maintained to indicate member or staff consumption (bills) and for monthly verification against duly signed bills as required by Regulation 11(3) which states that financial statements shall be issued every month for members' verification against the duly signed bills;
- ii. Records of members or staff signed bills were not provided, therefore there was no evidence of compliance with Regulation 11(4) which states that Members are required to sign their bills promptly to avoid undue delay in effecting payments and unwarranted financial embarrassment.

In the circumstances, the Management is 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Overall Governance sections 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

1. Weak Internal Controls over Sales

The statement of financial performance and as disclosed under Note 1 to the financial statements, reflects sales balance of Kshs.2,398,055 (2019 – Kshs.2,959,209).. However, the following anomalies were noted: -

Report of the Auditor-General on Baringo County Assembly Catering and Health Services Scheme Fund for the year ended 30 June, 2020

- i. The receipt numbers or Mpesa transaction numbers were not indicated on the schedule of sales, therefore the sequence and occurrences of transactions could not be confirmed.
- ii. The sales schedule did not indicate the mode of payment whether by check-off, cash, Mpesa or credit sales;
- iii. The orders were not linked to the related receipts hence making it difficult to reconcile the orders verses the receipts.

In the circumstances, the internal controls may not be working effectively.

2. Lack of Fire and Risk Management Policy

The Fund does not have a fire and risk management strategy contrary to Regulation 158 (1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

Under the circumstances, risk management, development of strategies and controls may not have been implemented in an orderly manner.

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 the Board of Trustees

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 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, matters related to related sustainability of services and using the applicable basis of accounting unless Management is aware of intention to abolish 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, 2017.

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.

The Board of Trustees is 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 overall 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, 2017 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 overall governance processes and systems in accordance with the provisions of Section 7 (1)(a) of the Public Audit Act, 2017 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

16 February, 2022

Baringo County Assembly Catering and Health Services Scheme Fund
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12. FINANCIAL STATEMENTS

12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

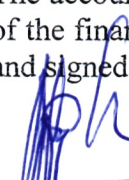
	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from exchange transactions			
Sale of goods	1	2,398,055	2,959,209
Total revenue		2,398,055	2,959,209
Less			
Cost of sales	2	1,908,142	2,823,007
Gross profit		489,913	136,202
less expenses			
Bank charges	3	9,748	7,768
Surplus/(deficit) for the period		480,165	128,434

Baringo County Assembly Catering and Health Services Scheme Fund
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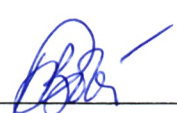
12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	4	778,784	442,500
Inventories	5	21,934	22,377
Accounts Receivables	6	352,000	519,170
Total assets		1,152,718	984,047
Liabilities			
Current liabilities			
Accounts payable	7	9,050	320,544
Total liabilities		9,050	320,544
Net assets		1,143,668	663,503
Revolving Fund		300,000	300,000
Accumulated surplus		843,668	363,503
Total net assets and liabilities		1,143,668	663,503

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 11/01/ 2021 and signed by:


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




 Fund Accountant
 Name: CPA Andrew Chebolei
 ICPAK Member No: 21726

12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	300,000	-	235,069	535,069
Surplus/(deficit) for the period	-	-	128,434	128,434
Balance as at 30 June 2019	-	-	363,503	663,503
Balance as at 1 July 2019	300,000	-	363,503	663,503
Surplus/(deficit) for the period		-	480,165	480,165
Balance as at 30 June 2020	300,000	-	843,668	1,143,668

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12.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Sales	1	2,046,055	1,297,470
Debtors recovered	8	519,170	1,433,564
Total Receipts		2,565,225	2,731,034
Payments			
Purchases	9	2,219,193	2,579,760
Bank charges	3	9,748	7,768
Total Payments		2,228,941	2,587,528
Adjusted for:			
Decrease/(Increase) in Accounts receivable:	10	-	-
Increase/(Decrease) in Accounts Payable:	11	-	-
Net cash flows from operating activities		336,284	143,506
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		336,284	143,506
Cash and cash equivalents as at 1 JULY 2019		442,500	298,994
Cash and cash equivalents at 30 JUNE 2020		778,784	442,500

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12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Sales	2,398,055	-	2,398,055	2,398,055	-	100%
Less: cost of sales	1,908,142	-	1,908,142	1,908,142	-	100%
Total income(Gross profit)	489,913	-	489,913	489,913	-	100%
Expenses						
Bank charges	9,748	-	9,748	9,748	-	100%
Total expenditure	9,748	-	9,748	9,748	-	100%
Surplus	480,165		480,165	480,165		100%

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

12.7 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 2020

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 2020

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; • Applying a single forward-looking expected credit loss

**Baringo County Assembly Catering and Health Services Scheme Fund
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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund (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 Baringo County Assembly Catering and Health Services Scheme Fund financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>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.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks

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Standard	Effective date and impact:
	<p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The Baringo County Assembly Catering and Health Services Scheme Fund did not early – adopt any new or amended standards in year 2020.

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. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 26 June 2019. 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 actual as per the statement of financial performance has been presented under Section 12.5 of these financial statements.

5. 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 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 Baringo County Assembly Catering and Health Services Scheme Fund 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
- 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 Baringo County Assembly Catering and Health Services Scheme Fund 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.

6. 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 labour 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.

7. Provisions

Provisions are recognized when the Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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.

8. Changes in accounting policies and estimates

The Baringo County Assembly Catering and Health Services Scheme Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

9. 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.

10. 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.

11. Comparative figures

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

12. Events after the reporting period

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

13. Ultimate and Holding Entity

The Baringo County Assembly Catering and Health Services Scheme Fund is a County Public Fund established by the Baringo County Assembly Catering and Health Services Scheme

Fund Regulations 2017 under the County Assembly of Baringo. Its ultimate parent is the County Assembly of Baringo.

14. Currency

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

15. Significant judgments and sources of estimation uncertainty

The preparation of the Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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

16. Financial risk management

The Baringo County Assembly Catering and Health Services Scheme Fund 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.

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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 Baringo County Assembly Catering and Health Services Scheme Fund 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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	352,000	-	-	352,000
Bank balances	778,784	-	-	778,784
Total	1,130,784			1,130,784
At 30 June 2019				
Receivables from exchange transactions	519,170	-	-	519,170
Bank balances	442,500	-	-	442,500
Total	961,670	-	-	961,670

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 Baringo County Assembly Catering and Health Services Scheme Fund 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.

**Baringo County Assembly Catering and Health Services Scheme Fund
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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 Baringo County Assembly Catering and Health Services Scheme Fund 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables	9,050	-	-	9,050
Total	9,050	-	-	9,050
At 30 June 2019				
Trade payables	320,544	-	-	320,544
Total	320,544	-	-	320,544

c) Market risk

The board of trustees has put in place an internal audit function to assist it in assessing the risk faced by the Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund 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 Baringo County Assembly Catering and Health Services Scheme Fund exposure to market risks or the manner in which it manages and measures the risk.

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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:

	2019/2020	2018/2019
	KShs	KShs
Revolving fund	300,000	300,000
Accumulated surplus	843,668	363,508
Total funds	1,143,668	663,508
Total borrowings	-	-
Less: cash and bank balances	(778,784)	(442,500)
Net debt/(excess cash and cash equivalents)	(778,784)	(442,500)
Gearing	-	-

12.8 NOTES TO THE FINANCIAL STATEMENTS

1. Sale of goods

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cash	2,046,055	1,297,470
Credit	352,000	1,661,739
Total	2,398,055	2,959,209

2. Cost of sales

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cost of sales	1,908,142	2,823,007
Total	1,908,142	2,823,007

3. Bank Charges

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Bank charges	9,748	7,768
Total	9,748	7,768

4. Cash and Cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cash and cash equivalents	778,874	442,500
Total	778,874	442,500

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

Financial institution	Account number	FY2019/2020	FY2018/2019
		KShs	KShs
a) Current account			
Kenya Commercial bank	1219723320	778,874	442,500
Total		778,874	442,500

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5. Inventories

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Inventories	21,934	22,377
Total	21,934	22,377

6. Accounts Receivable

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Accounts Receivables	352,000	519,170
Total	352,000	519,170

7. Accounts payable

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Creditors	9,050	320,544
Total	9,050	320,544

8. Debtors recovered

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Debtors recovered	519,170	1,433,564
Total	519,170	1,433,564

9. Purchases

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cash Purchases	2,219,193	2,579,760
Total	2,219,193	2,579,760

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10. Changes in Accounts Receivable

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	519,170	290,995
Account receivables issued during the year (B)	-	-
Account receivables settled during the Year (C)	519,170	290,995
Net changes in account receivables D= A+B-C	-	-

11. Changes in Accounts Payable

Description		
	KShs	KShs
Accounts Payables as at 1 st July 2019 (A)	320,544	161,491
Accounts Payables held during the year (B)	-	-
Accounts Payables paid during the Year (C)	320,544	161,491
Net changes in account receivables D= A+B-C	-	-

12. Cash generated from operations

Description	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	480,165	128,434
Adjusted for:		
Working Capital adjustments		
Decrease in inventory	443	84,194
(Increase)/Decrease in receivables	167,170	(228,175)
Increase/(Decrease) in payables	(311,494)	159,053
Net cash flow from operating activities	336,284	143,506

13. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Baringo County Assembly Catering and Health Services Scheme 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 and their associates. The fund/scheme is related to the following entities:

- a) The County Assembly of Baringo;
- b) The County Government of Baringo;
- c) Key management;
- d) Board of Trustees;

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b) Related party transactions

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

The Baringo County Assembly Catering and Health Scheme Fund does not pay any remuneration for its key management and Boards of Trustees as this is paid for by Baringo County Assembly and reported in separate set of financial statements.

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13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S 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 for the year ended 30 June 2020 since audit report for the year ended 30 June 2019 has not been finalized.