REPUBLIC OF KENYA

OAG

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

RE

OF

THE AUDITOR-GENERAL

ON

TRANS NZOIA COUNTY (EXECUTIVE) CAR LOAN AND MORTGAGE FUND

FOR THE YEAR ENDED 30 JUNE, 2021

HARAMBEE

TRANS NZOIA COUNTY (EXECUTIVE) CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED 30TH JUNE 2021

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

Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 and the Public Finance Management Act No 18 of 2012.. The Fund is wholly owned by the County Government of Trans Nzoia Executive and is domiciled in Kenya.

The Fund's principal activity is to provide a loan scheme for the purchase of motor vehicles or land for the development, renovation or repair of residential property by members of the scheme

b) Principal Activities

The principal activity of the Fund is to provide loans and/or mortgage to members at affordable interest to purchase personal cars and/or renovate and put up descent residents

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1.	Chairman of the Board	Hon Boniface Wanyonyi Cosmas
2.	Chief Officer	CPA Emmanuel Sikuku Wanjala
3.	CECM Trade	Hon Simon Kisegei
4.	Other trustees/Committee Members	Hon Susan Nelima
5.	Fund Manager/ Administrator	Hon Claire N Wanyama

d) Key Management

Ref	Position	Name
1.	Fund Manager/ Administrator	
2.	Fund Accountant	Bernard Madegwa

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1.	Internal Auditor	Andrew Wepukhulu

f) Registered Offices

P.O. Box 4211-30200

Town Hall Building/House/Plaza

County Head Quarter

KITALE, KENYA

g) Fund Contacts

Telephone: (254) 30301/2

E-mail: countyoftransnzoia@gmail.com

Website: www.transnzoia.go.ke

h) Fund Bankers

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

2. Equity bank
   Account No 0330277826034
   P.O. Box 4211
   Kitale-KENYA

i) Independent Auditors

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

j) Principal Legal Adviser

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

2. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Trans Nzoia County Car Loan and Mortgage Scheme to County Government Entity's 2018-2022 plans are to:

a) To provide loans to members at affordable interest to purchase personal cars.

b) To provide mortgage to members to renovate and or put up descent residents

Progress on attainment of Strategic development objectives by Trans Nzoia County

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car loan	To provide loans to members at affordable interest to purchase personal cars.	Increased number of members of staff owning cars	Number of members of staff with cars	In FY 20/21 we increased loan access by members of staff.
Mortgage	b) To provide mortgage to members to renovate and or put up descent residents	Increased members of staff owning houses. Improved living conditions of members	Number of members living in their own houses.	Increased loan access by members of staff.

3. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Trans Nzoia County Government developed and approved the Trans Nzoia State and Public Officers Car loan and Mortgage Fund in the year 2018. The purpose of the fund is to promote both the social and economic welfare of the staff by ensuring that they are facilitated to own residential houses and have cars. Management and operations of the fund is guided by the Trans Nzoia County mortgage and car loan regulations.
During the financial year, the County Government managed to disburse Car Loan and Mortgages to members of the scheme as outlined in this report.

Sustainability
The fund is increasingly emphasizing on the need to ensure that there is sustainability for both investments, resource mobilization and financing capabilities, with an objective of ensuring that funds going concern is secured.

Review of Performance

Income
During the year under review, the fund received Kshs. 14,379,626.00 from exchequer. The interest earned during the financial year totalled to Kshs 1,177,166.00/=

Expenditures
The total expenditures during the period amounted to Kshs 6,000.00. These were in relation to bank charges.

Appreciation

I take this opportunity to express my gratitude and appreciation to my fellow committee members and all county staff at large for your continued support in last financial year and once more I urge you to continue with the same spirit next financial year.

Hon. Bonface Wanyonyi Cosmas

Fund Administration Chairman

4. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

It is my Pleasure to present the Trans Nzoia Executive County Car loan and Mortgage Scheme fund for F/Y2020/2021.

The scheme was established in the 2018 and started with an initial capital of kshs 28,000,000.00 in the F/Y 2018/2019. In the financial year under review, the fund has disbursed additional loans of kshs 32,200,000.00 to beneficiaries.

Financial performance

a) Revenue

In the year under review, Revenue received from exchequer amounting to Kshs. 14,379,626.00 during the closure of the financial year was not utilized and the cumulative interest income of kshs 1,177,166.00

b) Loans

During the financial year 2020/2021, the fund disbursed Car loan and Mortgage Scheme of Kshs. 32,200,000.00 totalling to loan disbursed to beneficiaries to date to Kshs 74,000,000.00

c) Cash Flows

Financial year 2020/2021, we have not had any liquidity disruptions. The cash and cash equivalent was kshs (4,323,024) as at 30th June 2021

d) Conclusion

Financial year 2020/2021 has been a good year in general. May I take this opportunity to thank the management of fund for their support. I too thank all staff who have worked tirelessly to ensure that the fund achieves its mandate.

Emmanuel Sikuku Wanjala

Fund Administrator

5. CORPORATE GOVERNANCE STATEMENT

The Executive County Government of Trans Nzoia Car Loan and Mortgage scheme is a revolving fund established Pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 VOL.111(128) OF 17th December 2014 and section 167 0f Public Finance Management (PFM) Act 2012. Its mandate is to provide Car Loans and Mortgage to executive staff members of the County. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

The role and functionality of the Fund is drawn from the Executive County Government of Trans Nzoia Regulations 2018

STATEMENT OF COMPLIANCE

The fund Administration Committee confirms that the fund has throughout the financial year complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The fund Administration Committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute assurance regarding the safe guard of assets against unauthorised use.

Internal Control framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control. There were no significant weaknesses identified during the financial year 2020/2021.

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and Policies through committee meetings. The team meets regularly to ensure that the committee'

Auditors

The Fund is audited by the Office of the Auditor General (OAG) Kakamega Hub.

6. 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 public finance (the trans Nzoia county Executive) management regulations, 2018)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i)maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the fund; (v)Selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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, 2021, 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 27/9 2021 and signed on its behalf by:

Name: Emmanuel Sikuku Wanjala

Administrator of the County Public Fund

REPUBLIC OF KENYA

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

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY (EXECUTIVE) CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund set out on pages 14 to 38, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund as at 30 June, 2021, 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 do not comply with the Public Finance Management Act, 2012, and Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018.

Basis for Adverse Opinion

1.0 Unsupported Interest Income

The statement of financial performance reflects interest income of Kshs.892,262 as disclosed in Note 2 to the financial statements. However, the amount which relates to interest income from mortgage loans was not supported by loan analysis schedules.

In the circumstances, the accuracy and completeness of the interest income balance of Kshs.892,262 could not be confirmed.

2.0 Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.14,719,449 as disclosed in Note 4 to the financial statements. However, bank reconciliation statements for the year under review were not provided for audit.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.14,719,449 could not be confirmed.

3.0 Unsupported Receivables from Exchange Transactions

The statement of financial position reflects current portion of long term receivables from exchange transactions of Kshs.23,010,450 and long term receivables from exchange transactions of Kshs.25,874,903. However, the balances were not supported by loan analysis schedules.

In the circumstances, the accuracy of current portion of long term receivables from exchange transactions of Kshs.23,010,450 and long term receivables from exchange transactions of Kshs.25,874,903 could not be confirmed.

4.0 Unsupported Loan Disbursements

The statement of cash flows reflects loan disbursements paid out of Kshs.32,200,000. The amount includes disbursed loans of Kshs.10,400,000 which were not supported by loan application forms, sale agreements, valuation reports, copies of insurance cover for motor vehicles, approved designs of proposed residential properties and approved Bills of Quantity, as required by Regulation 11 of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018.

In the circumstances, the completeness and accuracy of disbursed loans of Kshs.10,400,000 could not be confirmed.

5.0 Non-Recovery of Loan Arrears

The statement of financial position reflects long-term receivables from exchange transactions of Kshs.25,874,903. The amount includes an amount of Kshs.2,314,981 for unrecovered loan arrears due from a staff member who resigned from service. However, no recoveries had been made since February, 2020 and no efforts have been put in place to ensure full recovery. This is contrary to Regulation 18 of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018, which provides that the committee may call in a loan and in default and sell the motor-vehicle or charged property by public auction where the borrower is in breach of the terms under the loan agreement or a covenant contained in the charge of the mortgage instrument.

In the circumstances, the recoverability of receivables of Kshs.2,314,981 could not be confirmed.

6.0 Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following inaccuracies:

i. The report of Board/Fund Administration Committee chairperson and that of Fund Manager/Administrator reflects transfers from Exchequer of Kshs.14,379,626 while the statement of financial performance reflects a nil balance;

ii. The report of Board/Fund Administration Committee chairperson and that of Fund Manager/Administrator reflects interest earned of Kshs.1,177,166 while the statement of financial performance reflects Kshs.892,262 resulting to an unexplained variance of Kshs.284,904;

iii. The report of Fund Manager/Administrator reflects cash and cash equivalents of negative Kshs.4,323,024 while the statement of financial position reflects Kshs.14,719,449 resulting to an unexplained variance of Kshs.19,042,473;

iv. The statements of financial performance reflect comparative surplus for the year of Kshs.1,175,726 whereas the statements of financial position reflects an amount of Kshs.1,656,552 resulting to an unexplained variance of Kshs.480,826;

v. The statement of cash flows reflects cash and cash equivalents of negative Kshs.4,323,024 while the statement of financial position reflects an amount of Kshs.14,719,449 resulting to an unexplained variance of Kshs.19,042,473;

vi. The statement of financial position reflects revolving fund balance of Kshs.61,542,814 while the statement of changes in net assets reflects Kshs.59,000,000 resulting to an unexplained variance of Kshs.2,542,814;

vii. The statement of financial position reflects reserves balance of Kshs.1,175,726 while the statement of changes in net assets reflects a nil balance;

viii. The statement of financial position reflects accumulated surplus balance of Kshs.886,262 while the statement of changes in net assets reflects Kshs.2,542,814 resulting to an unexplained variance of Kshs.1,656,552;

ix. The statement of comparison of budget and actual amount reflects transfers from county government of Kshs.14,379,626 while the statement of financial performance reflects nil balance;

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

7.0 Errors in Presentation of the Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors: -

i. Page numbers 1, 2, 16 and 18 are missing;

ii. Management team, management discussion and analysis, corporate social responsibilities/corporate social responsibility statement/sustainability reporting, report of the trustees/fund administration committee and appendix i: inter-entity transfers have been omitted;

iii. Names of the signing officers on the statement of financial position at page 15 are missing;

iv. Note number 5 is omitted in statements of financial position and cash flows;

v. Pages 23, 25, 26, 27,28,29, 30, 31, 33, 34 refers to entity instead of Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund;

In the circumstances, the financial statements did not comply with the International Public Sector Accounting Standard (Accrual Basis) as prescribed by the Public Sector Accounting Standards Board.

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.39,279,402 and Kshs.15,271,888 respectively, resulting in an under-funding by Kshs.24,007,514 or 61% of the budget. Similarly, the Fund spent Kshs.6,000 out of the approved expenditure budget of Kshs.39,279,402, resulting in an under expenditure of Kshs.39,273,402 or 99% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Lack of Approved Budget for the Fund

The statement of comparison of budget and actual amounts reflects final budget amount of Kshs.39,279,402. However, an approved budget for the year under review was not provided for audit review, as required by Section 149(2)(h) of Public Finance Management Act, 2012, which requires accounting officers to prepare estimates of expenditure of the entity in conformity with its strategic plan.

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

2.0 Failure to Jointly Register Security Deposited with The Fund

The statement of financial position reflects balances of Kshs.23,010,450 and Kshs.25,874,903 relating to current portion of long- term receivables from exchange transactions and long-term receivables from exchange transactions, respectively. However, all the loans issued under the two categories were not jointly registered between the Fund and beneficiaries, as required by Regulation 10(2) and 16(1) of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

- Conclude on the appropriateness of the Management's use of the going concern 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 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 controls that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 September, 2022

7. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021 KShs	2019/2020 KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	-	-
		-	-
Revenue from exchange transactions			
Interest income	2	892,262	1,177,166
Total revenue		**892,262**	**1,177,166**
Expenses			
General expenses	3	6,000	1,440
Total expenses		**6,000**	**1,440**
Other gains/losses			
Surplus/(deficit) for the period		**886,262**	**1,175,726**

13.2STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Assets	Note	2020/2021 KShs	2019/2020 KShs
Current assets			
Cash and cash equivalents	4	14,719,449	4,539,006
Current portion of long- term receivables from exchange transactions		23,010,450	226,977
		37,729,898.86	**4,539,006**
Non-current assets			
Long term receivables from exchange transactions		25,874,903	56,117,546
		63,604,802	**56,117,546**
Total assets		**63,604,802**	**60,656,552**
Revolving Fund		61,542,814	59,000,000
Reserves		1,175,726	-
Accumulated surplus		886,262	1,656,552
Total net assets and liabilities		**63,604,802**	**60,656,552**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/9/ 2021 and signed by:

Administrator of the Fund

Name:

Fund Accountant

Name:

ICPAK Member Number:

13.3STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve KShs	Accumulated surplus KShs	Total KShs
Balance as at 1 July 2019	28,000,000.00	-	480,826	28,480,826
Surplus/(deficit) for the period	-	-	1,175,726	1,175,726
Funds received during the year	31,000,000.00	-	-	31,000,000
Balance as at 30 June 2020	**59,000,000**	-	**1,656,552**	**60,656,552**
Balance as at 1 July 2020	**59,000,000**	-	**1,656,552**	**60,656,552**
Surplus/(deficit) for the period	-	-	886,262	886,262
Funds received during the year	-	-	-	-
Balance as at 30 June 2021	**59,000,000.00**	-	**2,542,814.18**	**61,542,814.18**

13.4STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021 KShs	2019/2020 KShs
Cash flows from operating activities			
Receipts			
Interest received	2	892,262	1,177,166
Receipts from other operating activities		-	-
Total Receipts		**892,262**	**1,177,166**
Payments			
Fund administration expenses		-	-
General expenses	3	6,000	1,440
Finance cost		-	-
Total Payments		**6,000**	**1,440**
Cash flows from operating activities		**886,262**	**1,175,726**
Adjusted for:			
Decrease/(Increase) in Accounts receivable:		**(22,783,473)**	(226,977)
Increase/(Decrease) in Accounts Payable:			-
Cash flows from investing activities		**(21,897,211)**	**948,749**
Net cash flows from operating activities			
Proceeds from loan principal repayments		22,451,707	11,577,388
Loan disbursements paid out		(32,200,000)	(14,000,000)
Net cash flows used in investing activities		**(9,748,293)**	**(2,422,612)**
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**(8,862,030)**	**(1,473,863)**
Cash and cash equivalents at 1 JULY	4	4,539,006	6,012,869
Cash and cash equivalents at 30 JUNE	4	**(4,323,024)**	**4,539,006**

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget 2021	Adjustments 2021	Final budget 2021	Actual on comparable basis 2021	% utilisation 2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations					
Transfers from County Govt.	34,340,619	3,867,106	38,207,725	14,379,626	23,828,099
Interest income	1,071,677	-	1,071,677	892,262	179,415
Other income			-		-
Total income	**35,412,296**	**3,867,106**	**39,279,402**	**15,271,888**	**24,007,514**
Expenses					
Fund administration expenses					
General expenses	35,412,296	3,867,106	39,279,402	6,000	39,273,402
Finance cost	-		-	-	-
Total expenditure	**35,412,296**	**3,867,106**	**39,279,402**	**6,000**	**39,273,402**
Surplus for the period					

-Although Kshs. 14,379,626 is indicated as received in the financial year, the money was actually received in early July, 2021 hence not utilized in the year under review.

13.6 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1st January 2021:	Impact
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	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
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	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
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.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

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	***Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact***

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

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: • 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 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.

Standard	Effective date and impact:
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** 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. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity 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

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 2020/2021 was approved by the County Assembly on 30th June 2020. 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. Accordingly, the Fund recorded additional appropriations of Kshs 14,379,626 on 25th June 2021 the FY 2020/2021 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

Recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.5 of these financial statements.

5. Property, plant and equipment

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

2. Intangible assets

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

3. Financial instruments

a) 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 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)

b) 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.

4. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

6. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

7. 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.

8. Employee benefits – Retirement benefit plans

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

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

9. Foreign currency transactions

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

10. 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.

11. 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/ Trustee, the Fund Managers and Fund Accountant.

12. 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 commercial bank at the end of the financial year. For the purposes of these financial statements.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund Act under the Department of Finance. Its ultimate parent is the County Government of Trans Nzoia.

16. Currency

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

17. 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.

State all judgements, estimates and assumptions made

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

18. 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 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 2021				
Receivables from exchange transactions	25,874,9[illegible]			
Bank balances	14,71[illegible]449			
Total	**4[illegible]594,353**			
At 30 June 2020				
Receivables from exchange transactions	56,117,546			
Bank balances	4,539,006			
Total	**60,656,552**			

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

d) Foreign currency risk

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

e) **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.

Sensitivity analysis

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

f) **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:

	2020/2021 KShs	2019/2020 KShs
Revaluation reserve	-	-
Revolving fund	59,000,000.00	59,000,000
Accumulated surplus	2,542,814.18	1,175,726
Total funds	**61,542,814.18**	**60,175,726**
Less: cash and bank balances	(14,719,449.05)	(4,539,006)

8. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description		2020/2021	2019/2020
		KShs	KShs
Transfers from County Govt. – operations		14,379,626	-
Payments by County on behalf of the entity		-	-
Total		**14,379,626**	**-**

2. Interest income

Description		2020/2021	2019/2020
		KShs	KShs
Interest income from Mortgage loans		892,262.18	989,550
Interest income from car loans		-	187,616
Total interest income		**892,262.18**	**1,177,166**

-The interest income reduced as compared to the previous year.

3. General expenses

Description		2020/2021	2019/2020
		KShs	KShs
Bank Charges		6,000.00	1,440
Other expenses		-	-
Total		**6,000.00**	**1,440**

4. Cash and cash equivalents

Description		2020/2021	2019/2020
		KShs	KShs
T/Nzoia Car loan and Mortgage account		14,719,449	4,539,006
Others		-	-
Total cash and cash equivalents		**14,719,449**	**4,539,006**

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

Financial institution	Account number	2020/2021 KShs	2019/2020 KShs
a) Current account			
Equity Bank	0330277826034	14,719,449.05	4,539,006
		-	-
Grand total		**14,719,449.05**	**4,539,006**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Receivables from exchange transactions

Description	2020/2021 KShs	2019/2020 KShs
Non-Current receivables		
Long term loan repayments due	23,010,449.81	226,977
Total receivables from exchange transactions	**23,010,449.81**	**226,977**

Additional disclosure on interest receivable

Description	2020/2021 KShs	2019/2020 KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	1,071,676.84	1,177,166
Less: Interest Received during the year	(892,262.18)	(950,189)
Interest receivable from current portion of long-term loans issued in the current year	179,414.66	226,977
Total Receivables from Exchange Transactions	**358,829.33**	**56,117,546**
Current loan repayments due		
Current portion of long-term loans from previous years	55,890,569.00	53,467,957
Current portion of long-term loans issued in the current year	32,200,000.00	14,000,000
Less: Proceeds from loan recoveries	(22,451,707.48)	(11,577,388)
Current principal loan repayment due	65,638,861.52	**55,890,569**

6. **Cash generated from operations**

	2020/2021 KShs	2019/2020 KShs
Surplus/ (deficit) for the year before tax	-	**1,656,552**
Adjusted for:		
Interest income	1,071,677	1,177,166
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	(18,607,264)	(2,649,499)
Increase in payables	-	-
Net cash flow from operating activities	**19,678,941**	**184,219**

Related party balances

a) Nature of related party relationships

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

a) The County Government;
b) The Parent County Government Ministry;
c) County Assembly;
d) Key management;
e) Board of Trustees; etc

9. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Lack of security on loan disbursed to members	Observation noted and corrected	Resolved	
2	Failure to insure the loan under the fund	Observation noted by the management	Resolved	
3	Un recovered loan arrears	Recoveries effected	Resolved	
4.	Non-recovery and remittance of fringe benefits	Observation noted by management	Resolved	