REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

LAIKIPIA COUNTY ASSEMBLY MEMBERS' CAR AND MORTGAGE FUND

FOR THE YEAR ENDED 30 JUNE, 2019

Revised Template June 2019

LAIKIPIA COUNTY ASSEMBLY MEMBERS CAR LOAN AND MORTGAGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED JUNE 30, 2019

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

Laikipia County Assembly Car and Mortgage Fund is established by and derives its authority and accountability from Public Finance management Act 2012-Laikipia County Assembly Mortgage staff scheme fund regulations 2014 and Public Finance management Act 2012-Laikipia County Assembly car loan staff scheme fund regulations 2014. The Fund is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

The fund's objective is to facilitate members to purchase personal vehicles to ease their movement while performing their duties and mortgages to enable members acquire private residences.

The Fund's principal activity is advancing of car loans and mortgage to staff of the county assembly of Laikipia.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to advancing of car loans and mortgage to members of the county assembly of Laikipia.

Management Committee

Ref	Name	Position
1	Hon Peter Thomi Waigwa	Chairman
2	Hon Daniel Nyausi	Vice Chairman
3	Hon Ireene Wachuka John	Member
4	Hon Mutahi Muritu	Member
5	Hon Jacob Endom	Member
6	Jasper M Mutwiri	Fund Administrator

b)Technical staff

Ref	Name	Position
1	Jasper Mutwiri	County Assembly Clerk
2	Ndiritu Kimondo	Director Finance and Accounting
3	Miriam Mwangi	Director Human Resources & Administration
4	Simon Kitur	Internal Auditor
5	Grace Mwenda	Legal Counsel

d) Registered Offices

COUNTY ASSEMBLY BUILDING
P.O. Box 487-10400
NANYUKI
KENYA

e) Fund Contacts

Telephone: (254) 716311702, +254 716311703
E-mail: assembly@ca.laikipiacounty.go.ke
Website: www.laikipiaassembly.go.ke

f) Fund Bankers

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

2. Kenya Commercial Bank Limited
   Nanyuki Branch

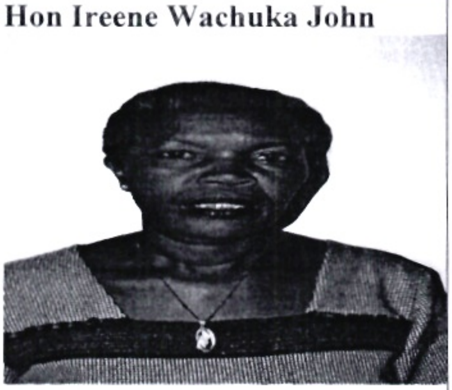
g) Independent Auditors

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

h) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
Hon Peter Thomi Waigwa 	Member of County assembly of Laikipia –**GITHIGA WARD** Date of birth 05.03.1968 Academic qualifications Jomo Kenyatta University of Agriculture and Technology Diploma in County Governance in 2014 (PASS) Business man & farmer Second term Member of County Assembly
Hon Daniel Nyausi 	Member of County assembly of Laikipia – **MUGOGONDO EAST** Date of birth: 29.09.1988 Academic qualifications Bachelor in community development-On going
Hon Ireene Wachuka John 	Member of County assembly of Laikipia –**NOMINATED WOMEN GENDER-TOP UP** Date of birth :1960 Academic qualifications Laikipia University Diploma in Community Development

Hon Mutahi Muritu 	Member of County assembly of Laikipia –**TIGITHI WARD** Date of birth 1974 Academic qualifications High School Certificate
Hon Jacob Endom 	Member of County assembly of Laikipia –**SOSIAN WARD** Date of birth 1968 Academic qualifications Primary Certificate

3. **MANAGEMENT TEAM**

Name	**Details of qualifications and experience**
Jasper Mutwiri 	**County Assembly Clerk** Date of birth 10.10.69 **Academic qualifications** University of Nairobi Masters of Arts in Project Planning Egerton University Bachelor of Arts (Sociology)

Ndiritu Kimondo 	**Director Finance and Accounting Services** Date of birth 09.09.1975 **Academic qualifications** PHD-Finance JKUAT (On going) MBA-Finance (Meru university) Maseno University Bachelors of Arts(Economics and Business Studies) Certified Public Accountant CPA(K)
Miriam Mwangi 	**Director Human Resources and Administration.** Date of birth 08.07.1978 **Academic qualifications** PHD Leadership-JKUAT (On going) KEMU University Masters of Business Administration (Human Resource Option) Maseno University Bachelors of Arts(Economics and Business Statistics)
Simon Kitur 	**Internal Auditor** Date of birth 25.11.1980 **Academic qualifications** University of Nairobi Bachelor of Commerce (Accounting Option) Certified Public Accountant CPA(K)
Grace Mwenda 	**Principal Legal Counsel** Date of birth 20.04.1986 **Academic qualifications** Moi University Bachelors of Law Kenya School of Government Higher Diploma

4. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the fund, the Laikipia County Assembly Members car loan and mortgage fund financial statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

Start up and funding

Pursuant to PFM act 2012 section 116 (1) the County Executive member for finance and planning established the Laikipia County Assembly Mortgage and Car loan Scheme to cater for members of the county assembly. The County Executive member then formulated the regulations that were approved by the County Assembly on 15th April 2014. These regulations sets the modalities for the establishment and management of a fund for the two facilities (Car and Mortgage scheme). This is after the salaries and remuneration commission (SRC) had approved car and mortgage loans for members of the county assemblies via circular SRC/TS/CGOVT/3/16 of Kenya shillings two million (Ksh 2,000,000) and Kenya shillings three millions (Ksh 3,000,000) respectively. SRC in a later circular SRC /TS/CAF/3/61/49(46) dated 13th December 2017 reviewed its earlier circular to consolidate and cap the benefit at 5m for purchase of a car and/or mortgage facility.

The SRC regulations sets and an annual interest at 3% which makes the loan facility very affordable to the members.

Review of performance

In the financial 2018-2019 a total of **Ksh Sixteen Million, Twenty Thousands (16,020,000)** was disbursed to members making the total disbursement in both car and mortgage to **Ksh One Hundred Twenty Six Million, Eight Hundred and twenty Thousands, and Seven Hundred (126,550,700)** as at June 2019.

This is a revolving fund part of the proceeds from recoveries from members were used to pay additional loan balances to members.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county assembly service board, the members, management committee and staff for their continued support that has enabled achieves this milestone.

I look forward to your continued support in the year 2019/2020.

Signed: ______________________

Peter Thomi Waigwa

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Laikipia County Assembly members car loan and mortgage scheme fund financial statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue.

In the financial 2018-2019 a total of Ksh Sixteen Million, Twenty Thousands (16,020,000) was disbursed to members making the total disbursement in both car and mortgage to Ksh One Hundred Twenty Six Million, Eight Hundred and twenty Thousands, and Seven Hundred (126,550,700) as at June 2019. For the financial 2018-2019 a total Thirty million two hundred seventy one thousands four hundred twenty two (30,271,422) was repaid back. The repayment is through the monthly payroll check off system. Out the repayment Ksh 2,962,491 is interest on the loans as tabulated below.

b) Administration costs

The total expenditure for the financial year 2018-2019 was Ksh 1,709,405.50 as tabulated below;

S/No	EXPENDITURE ITEM	TOTAL
1.	Operations Expenses	625,650.00
2.	Insurance Expenses	324,462.00
3.	Financial Costs – Bank charges/ fees	259,033.35
	TOTAL	**1,208,081.00**

c) Loans

During the financial year 2018/2019, the fund disbursed loans amounting Ksh 16,520,260 in both car loans and mortgages.

d) Conclusion

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who we have worked hand in hand to ensure that County Assembly of Laikipia car loan and housing fund achieves its mission.

Signed:

Jasper Mwiti Mutuiri.

6. CORPORATE GOVERNANCE STATEMENT

The fund is managed by a management committee established through the regulations. The committee has the following functions as derived from the regulations

1. Process applications for loans in accordance with the existing terms and conditions of borrowing;
2. liaise with the mortgage company (if any) to set up a revolving fund for the disbursement of the loans; and
3. Supervise the day-to-day running of the Fund.

The management committee is not entitled to any form of remuneration but earns a sitting allowance for meetings attended.

The expenses of the fund are charged to the interest income earned on the loans advanced to members. The loans are advanced at an interest rate of 3% per annum.

7. MANAGEMENT DISCUSSION AND ANALYSIS

For the financial 2018-2019 a total **Thirty million two hundred seventy one thousands four hundred twenty two (30,271,422)** was repaid back. The repayment is through the monthly payroll check off system. Out the repayment Ksh 2,962,491 is interest on the loans as tabulated below.

Month	Total Payment	Interest	Principal
July 18	2,320,001.00	253,446.61	2,066,554.39
August 18	2,320,001.00	255,780.23	2,064,220.77
September 18	2,320,001.00	254,744.67	2,065,256.33
October 18	2,389,477.00	254,581.53	2,134,895.47
November 18	2,499,146.00	258,744.29	2,240,401.71
December 18	2,597,849.00	255,393.29	2,342,455.71
January 19	2,623,620.00	249,537.15	2,374,082.85
February 19	2,468,348.00	243,601.94	2,224,746.06
March 19	2,451,041.00	238,040.08	2,213,000.92
April 19	2,705,446.00	239,182.58	2,466,263.42
May 19	2,871,046.00	233,016.92	2,638,029.08
June 19	2,705,446.00	226,421.84	2,479,024.16
Total	**30,271,422.00**	**2,962,491.14**	**27,308,930.86**

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Laikipia County assembly car and mortgage fund is a public funded revolving fund with no budget for corporate social responsibility.

9. REPORT OF THE TRUSTEES

The management committee submits their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund continue to be advancing of car loans and mortgage to members of the county assembly of Laikipia.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 19-25

Trustees

The members of the management committee who served during the year are shown on page 4. This is the committee that came into office at the commencement of the second assembly in line with the regulations.

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 for the year/period ended June 30, 2019.

By Order of the Board.

Jasper Mutuiri

Fund Administrator

Date: 20/12/2019

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 a County Public Fund established by Public Finance management Act 2012 (Laikipia County Assembly Mortgage Members scheme fund regulations 2014)) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Finance management Act 2012 (Laikipia County Assembly Mortgage Members scheme fund regulations 2014). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, 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 20/12 2019 and signed on its behalf by:

Fund Administrator

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY ASSEMBLY MEMBERS' CAR AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Laikipia County Assembly Members' Car and Mortgage Fund set out on pages 12 to 42, which comprise of the statement of financial position as at 30 June, 2019, 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Laikipia County Assembly Members Car and Mortgage Fund as at 30 June, 2019, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

The statement of financial performance reflects a deficit balance of Kshs.6,165,563 for the year ended 30 June, 2018 while the statement of changes in net assets reflects a nil balance for the same period. In addition, the statement of financial position erroneously reflects accumulated deficit of Kshs.3,922,857 instead of Kshs.3,422,596 reflected in the statement of changes in net assets.

In the circumstances, the accuracy of the financial statements for the year under review could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Laikipia County Assembly Members Car and Mortgage Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter 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

Failure to Submit Financial Statements for Audit

According to the Laikipia County Assembly Car Loan and Mortgage Revolving Fund Regulations, 2014, the fund was established in January, 2014. However, and as previously reported, the fund administrator has to date not submitted for audit the financial statements for the financial years 2014/2015 and 2015/2016 contrary to Section 167 of the Public Finance Management Act, 2012 and Section 6(3) of the County Assembly of Laikipia Car Loan Scheme Fund Regulations, 2014. The law requires an administrator of the fund to prepare and submit for audit financial statements in respect of the fund within three months after the financial year that is on or before 30 September of every year. The fund administrator has, therefore, been in persistent breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 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 Fund 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, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 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 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 sustaining 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

29 October, 2021

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019

	Note	FY 2018/2019 KShs	FY 2017/2018 KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	2,962,491	1,423,561
Other income	5	-	-
Total revenue		**2,962,491**	**1,423,561**
Expenses			
Fund administration expenses	6	-	6,015,275
Staff costs	7	-	-
General expenses	8	1,200,112	1,556,273
Finance costs	9	7,969	17,576
Total expenses		**1,208,081**	**7,589,124**
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		**1,754,411**	**- 6,165,563**

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 23/12/ 2019 and signed by:

Administrator of the Fund
Name: Jasper Mutuiri

Fund Accountant
Name: Ndiritu Kimondo
ICPAK 1681

12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		FY 2018/2019 KShs	FY 2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	11	16,231,181	4,606,052
Current portion of long term receivables from exchange transactions	12	2,705,446	1,939,346
Prepayments/other borrowings	13	1,993,485	1,493,225
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	102,647,292	113,784,370
Total assets		**123,577,404**	**121,822,993**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		127,000,000	127,000,000
Reserves		-	-
Accumulated surplus		- 3,922,857	- 5,177,007
Total net assets and liabilities		**123,577,404**	**121,822,993**

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 20/12 2019 and signed by:

Administrator of the Fund
Name: Jasper Mutuiri

Fund Accountant
Name: Ndiritu Kimondo
ICPAK 16861

12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

[redacted]				
Balance as at 1 July 2018	**127,000,000.00**	-	- **5,177,007.00**	**121,822,993.00**
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	**127,000,000.00**	-	- **5,177,007.00**	**121,822,993.00**
Balance as at 1 July 2018	**127,000,000.00**	-	- **5,177,007.00**	**121,822,993.00**
Surplus/(deficit) for the period	-	-	1,754,411	**1,754,411.00**
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	**127,000,000.00**	-	- - **3,422,596.50**	**123,577,403.50**

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 20/12 2019 and signed by:

Administrator of the Fund
Name: Jasper Mutuiri

Fund Accountant
Name: Ndiritu Kimondo
ICPAK 16861

12.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY 2018/2019 KShs	FY 2017/2018 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		2,962,491	1,423,561
Receipts from other operating activities		-	-
Total Receipts		**2,962,491**	**1,423,561**
Payments			
Fund administration expenses		-	6,015,275
General expenses		1,200,112	1,556,273
Finance cost		7,969	17,576
Total Payments		**1,208,081**	**7,589,124**
Net cash flows from operating activities	21	**1,754,411**	**- 6,165,563**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		26,390,979	19,692,455
Loan disbursements paid out		- 16,520,260	- 111,404,261
Net cash flows used in investing activities		**9,870,719**	**- 91,711,806**
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	27,000,000
Additional borrowings		-	- 740,000
Repayment of borrowings	6	-	6,015,275
Net cash flows used in financing activities		-	**32,275,275**
Net increase/(decrease) in cash and cash equivalents		**11,625,130**	**- 65,602,095**
Cash and cash equivalents at 1 JULY	11	4,606,051	70,208,146
Cash and cash equivalents at 30 JUNE	11	**16,231,181**	**4,606,051**

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 20/11 2019 and signed by:

Administrator of the Fund
Name: Jasper Mutuiri

Fund Accountant
Name: Ndiritu Kimondo
ICPAK 16861

12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-	-	-	
Interest income	3,000,000.00	-	3,000,000.00	2,962,491.00	37,509.00	99%
Other income	-	-	-	-	-	
Total income	**3,000,000.00**	-	**3,000,000.00**	**2,962,491.00**	**37,509.00**	99%
Expenses						
Fund administration expenses	-	-	-	-	-	
Staff costs	-	-	-	-	-	
General expenses	2,000,000.00	-	2,000,000.00	1,200,112.00	799,888.00	40%
Finance cost	10,000.00	-	10,000.00	7,968.50	2,031.50	20%
Total expenditure	**2,010,000.00**	-	**2,010,000.00**	**1,208,081.50**	**801,919.50**	**40%**
Surplus for the period	**990,000.00**	-	**990,000.00**	**1,754,411.00**	**(-764,410.50)**	

12.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	**Applicable: 1st January 2018** The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018/2019 was approved by the County Assembly 30th June 2018. 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 - on the 2018-2019 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 xxx of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. No reserve was maintained for the fund in the year.

11. 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.

12. 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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. Related parties

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

16. 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act- Laikipia County Assembly Car and Mortgage Regulations 2017. Its ultimate parent is the County Government of Laikipia

Currency

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

20. 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: e.g

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

22. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances		16,231,181	0.00	0.00
Total		**16,231,181**	**0.00**	**0.00**
At 30 June 2019				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows 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 2019				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**
At 30 June 2018				
Trade payables	**0.00**	**0.00**	**0.00**	**0.00**
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets (investments, cash ,debtors)	0.00	0.00	0.00
Liabilities			
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	0.00	0.00	0.00

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2018		0.00	0.00
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

ii. Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Ksh (2017: Ksh . A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2017 – KShs

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019		2018
	KShs		KShs
Revaluation reserve	0.00		0.00
Revolving fund	0.00		0.00
Accumulated surplus	0.00		0.00
Total funds	**0.00**		**0.00**
Total borrowings	0.00		0.00
Less: cash and bank balances	0.00		0.00
Net debt/(excess cash and cash equivalents)	0.00		0.00
Gearing	0.00		0.00

12.7 NOTES TO THE FINANCIAL STATEMENTS

1 **Public contributions and donations**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Donation from development partners	-	-
Contributions from the public	-	
Total	-	-

(Provide brief explanation for this Revenue)

2 **Transfers from County Government**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity	-	-
Total	-	-

3 **Fines, penalties and other levies**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4 **Interest income**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Interest income from loans(mortgage or car loans	2,962,491.00	1,423,561
Total interest income	**2,962,491.00**	**1,423,560.76**

5 **Other income**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognize income not elsewhere classified).

6 Fund administration expenses

Description	FY2018/2019 KShs	FY2017/2018 KShs
Loan processing costs	-	6,015,275.00
Professional services costs	-	-
Total	-	**6,015,275.00**

7 Staff costs

Description	FY2018/2019 KShs	FY2017/2018 KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

8 General expenses

Description	FY2018/2019 KShs	FY2017/2018 KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	324,462.00	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	875,650.00	1,556,273.00
Total	**1,200,112.00**	**1,556,273.00**

9 Finance costs

Description	FY2018/2019 KShs	FY2017/2018 KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	7,968.50	17,576.05
Total	**7,968.50**	**17,576.05**

10 Gain on disposal of assets

Description	FY2018/2019 KShs	FY2017/2018 KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11 Cash and cash equivalents

Description	FY2018/2019 KShs	FY2017/2018 KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	16,231,181	4,606,052
Others	-	-
Total cash and cash equivalents	**16,231,181.00**	**4,606,052.00**

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial institution	Account number	FY 2018-2019 KShs	FY 2017-2018 KShs
a) **Fixed deposits account**			
Kenya Commercial bank		-	4,606,052.00
Equity Bank, etc		-	-
Sub- total		-	**4,606,052.00**
b) **On - call deposits**			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) **Current account**			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) **Others(specify)**			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	**4,606,052.00**

12 Receivables from exchange transactions

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Current Receivables		
Interest receivable	2,705,446	1,939,346
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	**2,705,446**	**1,939,346**
Non-Current receivables		
Long term loan repayments due	102,647,292	113,784,370
Total Noncurrent receivables	**102,647,292**	**113,784,370**
Total receivables from exchange transactions	**105,352,738**	**115,723,716**

13 Prepayments

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
other borrowings	1,993,485.00	1,493,225.00
Total	**1,993,485.00**	**1,493,225.00**

14 Inventories

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2016	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2017	-	-	-	-	-
At 1st July 2017	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2018	-	-	-	-	-
Depreciation and impairment					
At 1st July 2016	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2017	-	-	-	-	-
At 1st July 2017	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2018	-	-	-	-	-
Net book values					
At 30th June 2017	-	-	-	-	-
At 30th June 2018	-	-	-	-	-

16 Intangible assets-software

Description	FY2018/2019 KShs	FY2017/2018 KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17 Trade and other payables from exchange transactions

Description	FY2018/2019 KShs	FY2017/2018 KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

18 Provisions

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

19 Borrowings

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

	FY2018/2019 KShs	FY2017/2018 KShs
External Borrowings		
Dollar denominated loan from 'xxx organization'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	FY2018/2019 KShs	FY2017/2018 KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

20 Employee benefit obligations

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

21 Cash generated from operations

	FY2018/2019 KShs	FY2017/2018 KShs
Surplus for the year before tax	-	-
Adjusted for:		
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

22 Related party balances

a) **Related party transactions**		
	FY2018/2019 KShs	FY2017/2018 KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

b) **Key management remuneration**		
	FY2018/2019 KShs	FY2017/2018 KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total		-

	-	

c) **Due from related parties**

	FY2018/2019 KShs	FY2017/2018 KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

d) **Due to related parties**

	FY2018/2019 KShs	FY2017/2018 KShs
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

Contingent assets and contingent liabilities

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Contingent liabilities	FY2018/2019 KShs	FY2017/2018 KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Focal Point person to resolve the issue** *(Name and designation)*	**Status:** *(Resolved / Not Resolved)*	**Timeframe:** *(Put a date when you expect the issue to be resolved)*
1.0	Outstanding loans	Systems in place to ensure compliance.	Fund administrator	Ongoing	May 2022
2.0	Failure to charge assets	In the process	Fund administrator	Ongoing	Mid 2020
3.0.	Late submission of financial statements	To revise the financial statements in accrual system.	Fund administrator	Resolved	Done