REPUBLIC OF KENYA

SCANNED

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KIRINYAGA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND

FOR THE YEAR ENDED 30 JUNE, 2019

8/11/2021
Deputy Senate Majority W
Kamau M.

Revised Template June2018

KIRINYAGA COUNTY EXECUTIVE CAR LOAN & MORTGAGE FUND

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

Executive Car loan and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The fund's objective is to ensure that the Directorate carry out its function

The Fund's principal activity is to provide a loan scheme for the purpose of personal use by a member or the purchase, development, renovation or repair of property by a member prescribed by the salaries and remuneration commission

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide;

a) A loan scheme for members of the scheme

b) Refinancing loan schemes

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1		
2	N/A	N/A
3		
4		
5		

d) Key Management

Ref	Name	Position
1	Mr. Moses Migwi	CEC Member-Finance
2	Mr. Patrick Mugo	Chief Officer- Finance
3	Mr. Zephaniah Kiongo	Director Accounting
4	Mr. Henery Muruga	Programme Officer
5		

e) Registered Offices

County Headquarters
County Treasury
P.O Box 260-10304,
Kutus, KENYA

f) Fund Contacts

Telephone:+254 – 020-8010181
E-mail: finance@kirinyaga.go.ke
Website: www.kirinyaga.go.ke

g) Fund Bankers

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

2. Bingwa Sacco Ltd
   P.O BOX 434-10300
   Kerugoya

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Insert each Trustee's passport-size photo and name	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Indicate whether the trustee is independent or an executive director and which committee of the Board the trustee chairs where applicable.
2. Trustee 2	
3. Trustee 3	
4. Trustee 4	
5. Etc.	

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1.  CPA, Moses Maina Migwi	Chair /CEC Member Finance And Economic Planning Date Of Birth:29/01/1980 **Academic Qualifications** Masters In Business Management Bachelor In Business Management CPA(K),COP,CIFA(Ongoing) Experience: Over 10years
2.  Patrick Mugo Ndathi	Fund Administrator/ Chief Officer Finance Date Of Birth:15-02-1971 **Academic Qualifications** Bachelor Of Commerce Experience: Over 20years In Banking And Senior Management
3.  CPA, Zephaniah Kiongo	Director Accounting Services Date Of Birth: 16th May 1957 **Academic Qualifications** • CPA K • Masters In Science,Finance And Accounting • Bachelor Of Commerce Experience:40 Years
4.  Mr. Henery Muruga	ICT Officer Date of Birth: 27th Dec 1989 **Academic Qualifications** Bachelor of IT Experience:4 Years
5.	
Note: *The Fund Administrator will feature under both the 'Board' and 'Management'.*	

4. BOARD/FUND CHAIRPERSON'S REPORT

I have the pleasure of presenting the amended annual Kirinyaga County Executive Car Loan & Mortgage Fund for the year ended 30th June 2019. These annual financial reports have been prepared in accordance with Generally Accepted Accounting Principles (GAAPs), the International Accounting Standards (IAS), the International Public Sector Accounting Standards (IPSAS) accrual basis, and Section 116 of the Public Finance Management Act, 2012.

Kirinyaga County Executive Car Loan & Mortgage Fund was established by an Act of Kirinyaga County Assembly. This Act is in compliance with the provisions of Public Finance Management Act (Cap412). Bingwa Sacco Ltd was competitively awarded tender to administer this fund.

There was no approved budget for 2018/2019 financial year.

The County endeavoured to utilise Public Finance Management procedures and regulations, which included; Procurement and Disposals Act, Public Finance Management Act, 2012 just to mention a few to ensure optimal utilisation of the County Resources and achieve value for money as enshrined in the Constitution of Kenya 2010.

In the Financial Year under review, the County was faced by various challenges. They include;

- The County Government is new set of Public Management which has never been practised anywhere in the world, this caused lack of previous experiences and reference to refer to in times of uncertainties. There were no existing structures to operate from and the devolved units together with former Local Authorities never had a transitional platform.

- The delay in disbursements of funds to County Governments by the National Government has persisted since inception. The County Government therefore had limited resources, hurting timely implementation of the budget during the period under review.

- Constant disagreements between the two arms of Government cannot be over emphasized. The County Assembly often stepped on the mandate of the County Executive which affected the relationship and overall performance.

In Conclusion, I am grateful to the County Governor, Deputy Governor, County Executive committee members, Departmental heads for the support they have given to me and the staff of my department during the year. I would also like to thank the officers from the National Treasury, the Office of the Controller of Budget, the Commission on Revenue Allocation and Kenya National Audit Office for the advice and guidance.

HON. CPA Moses Migwi Maina
ICPAK MEMBER NO. 20661
CEC Member for Finance and Economic Planning

5. REPORT OF THE FUND ADMINISTRATOR

Kirinyaga County Executive Car loan &mortgage fund was established to perform among others carrying out the functions of the directorate which are broad, and giving loan schemes that is, car loans and mortgage schemes to its members. The Fund caters for both the county executive and county assembly state and public officers who are either on permanent employment or on contract for a period of three years or more.

It is important to note that there was no approved budget for the 2018/2019 financial year. During 2018/2019 financial year the fund recorded an average number of borrowers and it operated with interest received from both car loans and mortgages. However, the fund had the following challenges;

- The County Government is new set of Public Management which has never been practised anywhere in the world, this caused lack of previous experiences and reference to refer to in times of uncertainties. There were no existing structures to operate from and the devolved units together with former Local Authorities never had a transitional platform.

- The delay in disbursements of funds to County Governments by the National Government has persisted since inception. The County Government therefore had limited resources, hurting timely implementation of the budget during the period under review.

- Constant disagreements between the two arms of Government cannot be over emphasized. The County Assembly often stepped on the mandate of the County Executive which affected the relationship and overall performance.

- No approved budget for 2018/2019 financial year

Further the fund management will engage the county Assembly committee in charge of department with an aim of conveying clear information regarding the functions of the fund with an aim of having more allocation for the fund.

CONCLUSION

The fund has great potential to provide services to its members hence this can only be achieved if adequate funding is provided. I would also like to thank the officers from the National Treasury, the Office of the Controller of Budget, the Commission on Revenue Allocation and Kenya National Audit Office for the advice and guidance.

Signed: ______________________

Chief Officer -Finance

Name: Patrick Mugo

Fund Administrator

6. CORPORATE GOVERNANCE STATEMENT

Pursuant to Kirinyaga County Executive Car Loan & Mortgage fund established under section 116 of the public finance management Act the department is mandated to facilitate and support all the committee/boards constituted as per the Act. The committee is consisted by members known as the Advisory committee of the fund which shall consist of the following members;

a) The county Executive Committee Member of finance who shall be the chairperson

b) The county executive committee member of transport

c) The Chief Officer Finance

d) The County Secretary or his nominee

e) County Executive Member of Health

The Advisory Committee shall be Supported by a secretariat consisting of

a) Director Administration

b) County Attorney

c) Two County Treasury nominee nominated by the County Head of Treasury

The meetings of the committee shall be convened by the chairperson or in absence of chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary. The officer administering the fund in accordance with PFM Act 2012 shall;

a) Supervise and control the administration of the fund

b) Utilize the interest accruing there to defray operating expense and may impose any reasonable restrictions or other requirements

c) Keep book of accounts and other records

7. MANAGEMENT DISCUSSION AND ANALYSIS

Two- three pages

(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages

(The Fund gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives).

Where no CSR activities are undertaken during the year, there is no need to include the statement).

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are *set on page 1*

Results

The results of the Fund for the year ended June 30, 2019 are set out on page ….

Trustees

The members of the Board of Trustees who served during the year are shown on page - (*refer to the key entity information and management page)*. The changes in the Board during the financial year are as shown below:

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.OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

-

Member of the Board

Date: ______________

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 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 *(quote the applicable legislation establishing the County Public Fund).* The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 ________________ 2019 and signed on its behalf by:

____

Chief Officer-Finance
Name: Patrick Mugo

11. REPORT OF THE INDEPENDENT AUDITOR

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

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kirinyaga County Executive Car Loan and Mortgage Fund set out on pages 14 to 43, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Consolidated Financial Statements

The financial statements provided for audit review refers to Kirinyaga County Executive Car Loan and Mortgage Fund. However, a review of the documents provided for audit review indicate that the Executive operates two separate Fund's: Kirinyaga County Car Loan Scheme Fund and Kirinyaga County Staff Mortgage Scheme Fund.

In view of the above, the Management has combined the financial statements of the two Funds which is contrary to the requirement of Section 15(1)(d) of the Public Finance Management (Kirinyaga County Car Loan Scheme Fund) Regulations, 2015 and Section 19(1)(e) of the Public Finance Management (Kirinyaga County Staff Mortgage Scheme Fund) Regulations, 2015 which requires the officer administering each Fund to prepare separate financial statements for each Fund and transmit to the Auditor General within three (3) months after the end of each financial year.

In the circumstances, it has not been possible to make a separate opinion on each Fund's financial statements. In addition, the Funds Management are in breach of the law.

2. Presentation of Financial Statements

The financial statements availed for audit review had the following anomalies:

(i) The PSASB stipulate that the Fund's financial statements should indicate a progress on follow-up on auditor's recommendations containing summary of issues raised by the external auditor and Management comments that were provided. However, the progress on follow-up of auditor recommendations included in the Fund's financial statements for the year under review is blank and therefore not possible to confirm how the issues raised by the auditor were dealt with.

(ii) IPSAS 1 (1G4 at pages 76 and 77) stipulates that the statement of changes in net assets should be "for the year ended" and not "as at" as reflected in the Fund's financial statements for the year under review.

In the circumstances, the Fund's financial statements for the year under review are not prepared in accordance with the stipulated IPSAS and PSASB format.

3.0 Inaccuracies in the Financial Statements

3.1 Variances Between the Financial Statement Balances and Trial Balance

Note 4 and Note 12 to the financial statements for the year ended 30 June, 2019 reflects Kshs.2,343,376 and Kshs.117,912,202 in respect to interest income and receivables from exchange transactions respectively both totaling to Kshs.120,255,578. However, the trial balance for the same period reflects Kshs.1,705,577 and Kshs.117,926,842 in respect to interest income and receivables from exchange transactions respectively both totaling to Kshs.119,632,419 resulting to unexplained and unreconciled variance of Kshs.623,159.

In the circumstances, the accuracy of the Fund's financial statements for the year ended 30 June, 2019 could not be confirmed.

3.2 The Statement of Financial Position

The statement of financial position reflects Kshs.121,000,000 in respect to revolving fund which relates to accumulated funds received from the County Executive as at 30 June, 2019. However, the balance has not been reflected in the statement of changes in nets assets. Further, the statement of financial position reflects Kshs.1,424,888 in respect to accumulated surplus for the year under review and whose details are indicated as being in Note 24. However, the financial statements availed for audit review do not contain Note 24.

In the circumstances, the accuracy of the statement of financial position as at 30 June, 2019 could not be confirmed.

3.3 Cash and Cash Equivalent

Note 11 to the financial statements reflects Kshs.4,512,685 in respect to cash and cash equivalents held in a current bank account as at 30 June, 2019. However, the bank reconciliation statement for the same bank account reflects a balance of Kshs.4,567,520 resulting to an un-reconciled and un-explained variance of Kshs.54,835 between the cash book and the bank reconciliation statement.

Further, the bank reconciliation statement for the current bank account reflects Kshs.3,654,835 in respect to receipt in bank not recorded in the cash book resulting to an understatement of the cash and cash equivalents balance of Kshs.4,512,685 by the Kshs.3,654,835.

In the circumstances, the accuracy of the Kshs.4,512,685 in respect to cash and cash equivalents as at 30 June, 2019 could not be confirmed.

3.4 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2019 reflected the following anomalies;

3.4.1 The statement of changes in net assets reflects Kshs.772,450 in respect to net assets balance as at 1 July, 2018. However, the statement of financial position for the 2017/2018 audited financial statements reflect Kshs.18,199,242 in respect to the same item resulting to an un-reconciled and un-explained variance of Kshs.17,426,792.

3.4.2 The statement of changes in net assets reflects Kshs.772,450 and Kshs.1,424,888 in respect to balances as at 30 June, 2017 and 30 June, 2018 respectively. However, the balances are for the year ended 30 June, 2018 and 30 June, 2019 respectively.

3.4.3 The statement of changes in net assets for the year ended 30 June, 2019 reflects a negative balance of Kshs.2,015,336 in respect to deficit for the 2017/2018 financial year. However, the statement of receipts and payments for the 2017/2018 audited financial statements reflects a negative balance of Kshs.5,874,533 in respect to the same item resulting to an unexplained and unreconciled variance of Kshs.3,859,197.

3.4.4 The statement of changes in net assets does not reflect any balance under the revolving fund while the statement of financial position reflects a balance of Kshs.121,000,000 in respect to the fund.

In the circumstances, the accuracy of the statement of changes in net assets for the year ended 30 June, 2019 could not be confirmed.

3.5 Statement of Cashflows

The statements of cash flows for the year ended 30 June, 2019 reflects Kshs.18,327,879 in respect to cash and cash equivalent as at 1 July, 2018. However, the audited 2017/2018 financial statements reflects Kshs.18,199,242 in respect to the same item resulting to an un-reconciled and un-explained variance of Kshs.128,637.

In addition, the statements of cash flows for the year ended 30 June, 2019 reflects Kshs.17,851,504 and Kshs.32,319,135 in respect to receipts from other operating activities and loans transfers respectively both totaling to Kshs.50,170,639. However, the respective supporting documents were not availed for audit review.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2019 could not be confirmed.

3.6 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects Kshs.1,054,140 in respect to total final budgeted expenditure. However, recasting of the balances reflects a total of Kshs.1,690,938 resulting to a variance of Kshs.636,798.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts for the year ended 30 June, 2019 could not be confirmed.

4. Lack of an Approved Budget

The Fund did not avail its approved budget for audit review contrary to Section 43(2) of Public Finance Management (County Government) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Executive Emergency Fund, or supplementary estimates.

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

5. Unbalanced Budget

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects Kshs.2,343,376 and Kshs.1,054,140 in respect to approved revenue and expenditure budgets respectively resulting to Kshs.1,289,236 budget imbalance contrary to Section 31(c) of the Public Finance Management (County Government) Act, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

In the circumstances, the Fund Management is in breach of the law.

6. Default of Loan Repayments

Note 12 to the financial statements reflects Kshs.117,912,202 in respect to receivables from exchange transactions which includes outstanding car and mortgage loan of Kshs.2,886,886 accrued from the principal loan balance of Kshs.8,500,000 advanced to two County Executive Committee (CEC) members and the Governor's advisor who had left the service and defaulted on loan repayment.

However, the Fund Management has not taken any measures to recover the amounts defaulted contrary to Section 18 of the Public Finance Management (Kirinyaga County

Staff Mortgage Scheme Fund) Regulations, 2015 which states that where a borrower defaults in the repayment of the loan for a period of three consecutive months, the administrator of the Fund shall possess and sell the property by public auction or private treaty.

In the circumstances, the Fund Management is in breach of law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Kirinyaga 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

14 October, 2021

12. FINANCIAL STATEMENTS

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

Revenue from non-exchange transactions	[redacted]	[redacted]	[redacted]
Public contributions and donations	[redacted]	[redacted]	[redacted]
Transfers from the County Government	2		26,000,000
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	2,343,375.53	
Other income	11	-	12,326,444.56
Total revenue		**2,343,375.53**	**38,326,444.56**
Expenses			
Fund administration expenses	6	636,798.26	-
Staff costs	7	-	-
General expenses	8	1,054,139.72	-
Other payments	21	-	44,200,978
Total expenses		**1,690,937.98**	**44,200,978**
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit)for the period		**652,437.55**	**(5,874,533.44)**
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-

The notes set out on pages xxx to xxx form an integral part of these Financial Statements

12.2. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	11	4,512,685.25	18,199,241.90
Current portion of long term receivables from exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14		-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	117,912,202.28	
Total assets		**122,424,887.53**	**18,199,241.90**
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		-	-
Fund bal b/fwd			24,073,775
Net assets			
Revolving Fund		**121,000,000.00**	
Reserves		-	-
Accumulated surplus/deficit	24	**1,424,887.53**	**(5,874,533.44)**
Total net assets and liabilities		**122,424,887.53**	**18,199,241.90**

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 ___________ 2019 and signed by:

Administrator of the Fund
Chief Officer-Finance
Name: Patrick Mugo

Fund Accountant
Name: Job Gakuya
ICPAK Member No:18115

12.3. STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	-	-	**2,787,786.28**	**2,787,786.28**
Surplus/(deficit) for the period	-	-	- **2,015,336.30**	- **2,015,336.30**
Funds received during the year	-	-		-
Revaluation gain	-	-	-	-
Balanceasat30 June 2017	-	-	**772,449.98**	**772,449.98**
Balance as at 1 July 2018	-	-	**772,449.98**	**772,449.98**
Surplus/(deficit)for the period	-	-	**652,437.55**	**652,437.55**
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balanceasat30 June 2018	-	-	**1,424,887.53**	**1,424,887.53**

12.4. STATEMENT OF CASHFLOWSFOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government			26,000,000.00
Interest received		2,343,375.53	
Receipts from other operating activities		17,851,503.70	12,326,444.56
Total Receipts		**20,194,879.23**	**38,326,444.56**
Payments			
Fund administration expenses	6	636,798.26	
General expenses	8	1,054,139.72	
Loan transfers		32,319,135.00	
Other expenses	21		44,200,978
Total Payments		**34,010,072.98**	**44,200.978**
Net cash flows from operating activities		**- 13,815,193.75**	**(5,874,533.44)**
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		-	-
Loan disbursements paid out			
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		**- 13,815,193.75**	**(5,874,533.44)**
Cashandcashequivalentsat1JULY	11	18,327,879.00	24,073,775.08
Cashandcashequivalentsat30 JUNE	11	**4,512,685.25**	**18,199,241.90**

(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)

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTSFOR THE PERIOD ENDED 30th JUNE 2019

	Originalbudget	Adjustments	Finalbudget	Actualon 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	2,343,375.53	-	2,343,375.53	2,343,375.53		100%
Other income	-	-		-		
Total income	**2,343,375.53**	-	**2,343,375.53**	**2,343,375.53**		100%
Expenses						
Fund administration expenses	636,798.26	-	636,798.26	636,798.26		100%
Staff costs	-	-	-	-		
General expenses	1,054,139.72	-	1,054,139.72	1,054,139.72	-	100%
Finance cost	-	-	-		-	
Total expenditure	**1,054,139.72**	-	**1,054,139.72**	**1,690,937.98**	**636,798.26**	

Budget notes

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

12.6. 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 his yield to the principal outstanding to determine interest income each period.

4. Budget information

The was no budget approved for the financial year 2018/2019.Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded non additional appropriations 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 - 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 costis 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 an entity of financial assets is impaired. A financial asset or an 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 an 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.

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 authorised 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 under the Ministry of Finance. Its ultimate parent is the County Government of Kirinyaga.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Useful lives and residual values

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

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

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 -.

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 company'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 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	**-**	**-**	**-**	**-**
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	**-**	**-**	**-**	**-**

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 recognised 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 -x

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	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**-**	**-**	**-**	**-**
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 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.

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)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk form future commercial transactions and recognised 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%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

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 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.

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 KShs- (2017: KShs-). 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	-		-
Revolving fund	-		-
Accumulated surplus	-		-
Total funds	**-**		**-**
Total borrowings	-		-
Less: cash and bank balances	(-)		(-)
Net debt/(excess cash and cash equivalents)	-		-
Gearing	xx%		xx%

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	-	26,000,000
Payments by County on behalf of the entity	-	-
Total	**-**	**26,000,000**

3. Fines, penalties and other levies

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

4. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans	2,343,375.53	
Total interest income	**2,343,375.53**	

Total interest received from the car loans and mortgage as recorded in the bank statements

5. Other income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance recoveries	-	-

Income from sale of tender documents	-	-
Other revenues		
Total other income	**-**	**-**

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

6. Fund administration expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan processing costs	636,798.26	
Professional services costs	-	-
Total	**636,798.26**	

7. Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2018/2019 KShs	FY2017/2018 KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	1,054,139.72	**44,200,978**
Total	**1,054,139.72**	**44,200,978**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	**-**	**-**

10. Gain on disposal of assets

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

11. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	4,512,685.25	18,199,241.90
Others		
Total cash and cash equivalents	**4,512,685.25**	**18,199,241.90**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2018/2019 KShs	FY2017/2018 KShs
a) **Fixed deposits account**			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		**-**	**-**
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/bank		4,512,685.25	24,073,775
M Pesa		-	
Sub- total		**4,512,685.25**	**24,073,775**
Grand total		**4,512,685.25**	**24,073,775**

12. Receivables from exchange transactions

Description	FY2018/2019 KShs	FY2017/2018 KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	**-**	**-**
Non Current receivables		
Long term loan repayments due	**117,912,202.28**	
Total Non current receivables	**117,912,202.28**	
Total receivables from exchange transactions	**117,912,202.28**	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	(-)	(-)
Total	**-**	**-**

14. Inventories

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spareparts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and netrealizable value	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

Cost	Land and Buildings KShs	Motor vehicles KShs	Furniture and fittings KShs	Computers and office equipment KShs	Total KShs
At 1st July 2017	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
At 30th June 2018	-	-	-	-	-
At 1st July 2018					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
At 30th June 2019	-	-	-	-	-
Depreciation and impairment					
At 1st July 2017	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
At 30th June 2018	-	-	-	-	-
At 1st July 2018					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	-
At 30th June 2019	-	-	-	-	-
Net book values					
At 30th June 2018	-	-	-	-	-
At 30th June 2019	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2018/2019	FY2017/2018
	KShs	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	FY2017/2018
	KShs	KShs
Tradepayables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Otherpayables	-	-
Totaltradeandotherpayables	-	-

18. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2018/2019 KShs	FY2017/2018 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 domestic's 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 '-organisation'	-	-
Sterling Pound denominated loan from 'yyyorganisation'	-	-
Euro denominated loan from zzzorganisation'	-	-
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	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	-	-	-	-
Totalemployee benefits obligation	-	-	-	-

21. Cash generated from operations

	FY2018/2019	FY2017/2018
	KShs	KShs
Surplus for the year before tax		
Adjustedfor:		
Depreciation	-	-
Gains/lossesondisposalofassets	(-)	(-)
Interestincome	(-)	(-)
Financecost	-	-
Working Capital adjustments		
Increaseininventory	(-)	(-)
Increaseinreceivables	(-)	(-)
Increaseinpayables	-	-
Net cash flow from operating activities	-	-

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

22. 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 ParentCounty Government Ministry;
c) Key management;
d) Board of Trustees;etc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2018/2019 KShs	FY2017/2018 KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	FY2018/2019 KShs	FY2017/2018 KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	**-**	**-**

d) Due from related parties

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

e) Due to related parties

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

23. Contingent assets and contingent liabilities

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

(Give details)

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)

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report;

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.