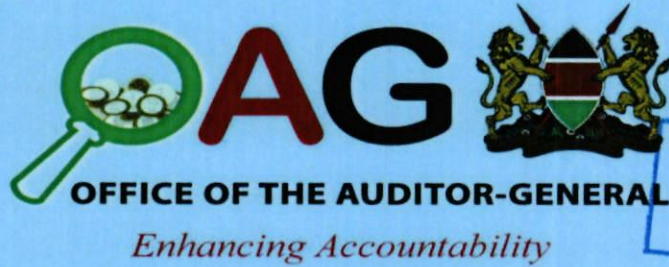


REPUBLIC OF KENYA

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WEST POKOT COUNTY ASSEMBLY CAR  
LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

PAPERS LAID	
DATE	15-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODU



10/20/2019

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WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS (REVISED)

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019

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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

The West Pokot County Assembly Members Car loan and Mortgage Fund is established by and derives its authority and accountability from The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017 on 5<sup>th</sup> December 2017. The Fund is wholly owned by the County Government of West Pokot and is domiciled in Kenya.

The fund's objective is to:

- (i) provide a loan scheme for the purchase, development, renovation or repair of residential property,
- (ii) provide loan scheme for the purchase of vehicles by members of the scheme

### b) Principal Activities

The principal mandate of the Fund is to provide quality services and convenient loan facilities to its Members.

### c) Fund Administration Committee

Ref	Name	Position
1	Hon. Thomas Ngolesia	Chair Person
2	Hon. Peter Lokor Yerer	Member
3	Hon. Francis Krop	Member
4	Hon. Samwel Timtim Korinyang	Member
5	Hon. Martin Komongiro	Member
6	Hon. Emanuel Maddy Polokou	Member
7	Lucia Chenanga	Administrator
8	Denis Plapan Rotich	Principal Finance Officer
9	Jacinta Tulel	Senior Legal Counsel
10	Edgar kitilit	Principle Human Resource

### d) Key Management

Ref	Name	Position
1.	David Karugutiang	Accounting Officer
	Lucia Chenanga	Deputy Clerk - Finance
2.	Daniel K. Dapamuke	Deputy Clerk - Administration
3.	Denis P. Rotich	Principal Finance Officer
4.	John Takaramoi	Senior Accounts Controller
5.	Edgar K. Kitilit	Principal Human Resource Officer
6.	Solomon Chemeltorit	Head of internal Audit



**d) Registered Offices**

P.O. Box 06 - 30600  
County Assembly Building  
XXX Avenue/Road/Highway  
Kapenguria, KENYA

**e) Fund Contacts**

Telephone: (254) XXXXXXXX  
E-mail: [info@westpokotasassembly.org](mailto:info@westpokotasassembly.org)  
Website: [www.westpokotasassembly.go.ke](http://www.westpokotasassembly.go.ke)

**f) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Transnational Bank  
Kapenguria Branch  
P.O. Box 295-30600
3. Family Bank Limited  
P O Box 1927  
Kitale, Kenya

**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 LOANS MANAGEMENT COMMITTEE

Name	Role
1. Hon. Thomas Ngolesia	Chair person
2. Hon. Peter Lokor Yerer	Member
3. Hon. Francis Krop Losia	Member
4. Hon. Samwel Timtim Korinyang	Member
5. Hon. Martin Komongiro	Member
6. Hon. Emanuel Maddy Polokou	Member
7. Lucia Chenanga	Secretary
8. Denis Plapan Rotich	Member
9. Jacinta Tulel	Member
10. Edgar Kitilit	Member



### 3. MANAGEMENT TEAM

Name	Details
1. David Karugutiang	Accounting Officer
2. Lucia Chenanga	Deputy Clerk - Finance
3. Daniel K. Dapamuke	Deputy Clerk - Administration
4. Denis P. Rotich	Principal Finance Officer
5. John Takaramoi	Senior Accounts Controller
6. Edgar K. Kitilit	Principal Human Resource Officer
7. Amos Kisang	Head of internal Audit

#### 4. FUND CHAIRPERSON'S REPORT

The West Pokot County Assembly Car loan and Mortgage Fund was established in 2014 by the County Executive Member of Finance in exercise of the powers conferred by section 116 of the Public Finance Management Act, 2012. The Fund was created through the West Pokot Mortgage (Members) Scheme Fund Regulations, 2014 and the West Pokot County Car Loan (Members) Scheme Fund Regulations, 2014 which was later amended to The West Pokot County Assembly Car loan and Mortgage (Amendment) Act, 2017.

At its inception, a total of KES 137, 700,000 was injected to the fund as initial capital and would be a revolving fund. The fund has grown and its Net Financial Position as at 30<sup>th</sup> June 2019 stood at Kshs 150,291,324 This performance has been attributed to the ability of the fund to fully recover loans advanced to its members.

However, in the 2018/2019 financial year, the fund made a deficit of KES (1,952,717.13) following the Committees decision to expense 50% of interest income retained by Family Bank Limited.

I thank the Committee and the Management for the support and in ensuring that the Fund runs in a smooth and professional manner.

Signed: \_\_\_\_\_



Hon. Thomas Ngolesia



## 5. REPORT OF THE FUND ADMINISTRATOR


The salaries and Remuneration commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the constitution of Kenya and section 13 of Salaries and remuneration Commission Act, 2011 set and advised on the car and mortgage benefits for members and other state officers. Consequently, the County Assembly through the West Pokot Mortgage (Members) Scheme Fund Regulations, 2014 and the West Pokot County Car Loan (Members) Scheme Fund Regulations, 2014 established the Fund.

The County Assembly Car loan and Mortgage Fund became operational in February 2014 and received a funding of KES 137,700,000.00. The funds' performance over the last financial years has been outstanding. This has been attributed to the consistency in loan repayments, interest earned from loans and call deposits. At the start of the 2018/19 financial year, the fund had KES 12,271,701.72 in accumulated surplus and a Net Financial Position of KES 150,291,324.

In the financial year, KES 34,800,000.00 was advanced to members as new loans. From the amount disbursed, KES 37,548,387.40 was received as principal recoveries through payroll. Although the fund earned Kshs 4,142,422 from interest charged on loans during the year, the fund reported a deficit of KES (1,952,717.13) for the year resulting from an increase in financing cost.

All the securities for the loans of the County Assembly members are under safe custody of the Fund Administrator according to the provision of the West Pokot County Assembly Car and Mortgage Act 2017.

I expect that in the next financial year the fund will continually improve and offer better services to its members.

Signed:  \_\_\_\_\_

**Lucia Chenanga**

## 6. REPORT OF THE COMMITTEE

The Committee 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 to provide mortgages and car loans to its members.

### Results

The results of the Fund for the year ended June 30, 2019 are set out on page 16.

### Trustees

The committee members of the Fund who served during the year are shown on page 4. There were no changes in the Committee during the financial year.

### Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Committee

Chairman of the Committee

Date: 5/12/2019



## 7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

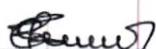
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) 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 *The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017*.

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, 2018, 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 Committee on 5/12/2019 2019 and signed on its behalf by:



Administrator of West Pokot County Assembly Car Loan and Mortgage Fund

LUCIA C. HWANGWA



# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of West Pokot County Assembly Car Loan and Mortgage Fund set out on pages 10 to 43, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the County Assembly of West Pokot 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 Financial Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Inaccuracies in the Financial Statements**

##### **1.1 Statement of Financial Position as at 30 June, 2019**

The statement of financial position as at 30 June, 2019 availed for audit, did not balance since the statement reflected total assets balance of Kshs. 150,131,513 while the total net assets and liabilities indicated a balance of Kshs. 150,291,324 resulting in a variance of Kshs. 159,811 which has not been explained or reconciled.

Further, the statement of financial position reflects current portion of long term receivables from exchange transactions of Kshs. 125,883,635 which as explained in Note 12 of the financial statements comprise of interest receivable of Kshs. 74,896 and current loan



repayment balance of Kshs.125,808,739. However, the amortization schedule provided in support of outstanding Car Loan and Mortgage Fund balance indicates a balance of Kshs.122,004,603 resulting in a variance of Kshs.3,879,032 which has not been explained or reconciled. In addition, the interest receivable figure of Kshs.74,896 has remained outstanding since 2017/2018 and no explanation has been provided by the Management for the non-collection of the amount.

### **1.2 Statement of Financial Performance for the Year Ended 30 June, 2019**

The statement of financial performance for the year ended 30 June, 2019 finance cost balance of Kshs.3,866,316. Examination of bank statement for family bank interest account number 093000035898 revealed that the amount was in respect of interest earned from loans issued and dated 8 November, 2017 and was erroneously expensed during the year under review.

Consequently, the accuracy and completeness of the finance cost figure of Kshs.3,866,316 for the year ended 30 June, 2019 could not be confirmed.

### **1.3 Statement of Changes in Net Assets**

The statement of changes in net assets reflects a balance of Kshs.150,131,513 as at 30 June, 2019. However, the statement of financial position indicate total net assets and liabilities figure of Kshs.150,291,324 resulting in a variance of Kshs.159,811 which has not been reconciled or explained.

The accuracy, validity and completeness of the statement of changes in net assets balance figure of Kshs.150,131,513 as at 30 June, 2019 could not be confirmed.

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Conclusion on



Lawfulness and Effectiveness in Use of Public Resources section of my report, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1.0 Irregular Loan Disbursement**

The statement of financial position as at 30 June, 2019 reflects current portion of long term receivables from exchange transaction balance of Kshs.125,883,635. Review of records relating to loan disbursements revealed that mortgage loan disbursements amounting to Kshs.39,300,000 were paid directly to the loanees and the title deed used to secure the loan had not been issued jointly between the West Pokot County Assembly and the member of the scheme contrary to Section 21(1)(a) of West Pokot County Assembly Members Car and Mortgage Act, 2017 which states that the title of the land subject to a loan from the fund shall be issued jointly between West Pokot County Assembly and the member of the scheme and shall be kept in custody of the officer administering the fund until the loan is repaid in full by the member of the scheme.

Further, copies of designs of the proposed residential property approved by the relevant County Government department within whose area the property is to be situated and priced bills of quantities in respect of the proposed development were not provided for audit review contrary to Section 22(1)(a) and (b) of West Pokot County Assembly Members Car and Mortgage Act, 2017 which state an application for a mortgage loan for construction purposes shall be accompanied by copies of designs of the proposed residential property duly approved by the relevant county government department within whose area it is to be situated and priced bills of quantities in respect of the proposed development.

Under the circumstances, the management of the fund is in breach of the law and the propriety, validity, accuracy and completeness of current portion of long term receivables from exchange transactions balance of Kshs.125,883,635 as at 30 June, 2019 could not be confirmed.

### **2.0 High Fund Administration Expenses**

The statement of financial performance for the year ended 30 June, 2019 reflects fund administration expenses balance of Kshs.2,214,000 compared to Kshs.573,000 incurred in the previous year 2017/2018. This is a two hundred and eighty-six percentage increase (286%) which is significantly high and management has not justified the significant increase.

Consequently, the propriety of the fund administration expenses balance of Kshs.2,214,000 for the year ended 30 June, 2019 could not be confirmed.



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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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.

### **Long Outstanding Trade and Other Payables from Exchange Transactions**

The statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance of Kshs.159,811 in respect to unclaimed dues for retired Member of County Assembly which has remained outstanding since 2017/2018 and management has not explained the efforts made to trace the beneficiary or surrender the funds to Unclaimed Financial Assets Authority.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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.

In preparing the financial statements, Management is responsible for assessing the funds ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the funds financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 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 noncompliance. 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 West Pokot County Assembly 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 West Pokot County Assembly ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the fund to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 January, 2022

## 8. FINANCIAL STATEMENTS

### 8.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	4,142,421.50	1,929,912.92
Other income	5	-	2,352,756.79
<b>Total revenue</b>		<b>4,142,421.50</b>	<b>4,282,669.71</b>
<b>Expenses</b>			
Fund administration expenses	6	2,214,000.00	573,000.00
Staff costs	7	-	-
General expenses	8	14,822.87	9,468.00
Finance costs	9	3,866,315.76	-
<b>Total expenses</b>		<b>6,095,138.63</b>	<b>582,468.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>(1,952,717.13)</b>	<b>3,700,201.71</b>



WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

Reports and Financial Statements

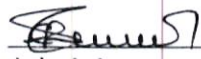
For the year ended June 30, 2019

8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	19,747,878.15	23,452,207.80
Current portion of long term receivables from exchange transactions	12	125,883,634.62	128,632,022.02
Prepayments	13	-	-
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	4,500,000.00	-
<b>Total assets</b>		<b>150,131,512.77</b>	<b>152,084,229.82</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	159,811.05	159,811.05
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>159,811.05</b>	<b>159,811.05</b>

<b>Net assets</b>			
Revolving Fund		137,700,000.00	137,700,000.00
Reserves			-
Accumulated surplus		12,431,512.77	14,384,229.90
<b>Total net assets and liabilities</b>		<b>150,291,323.82</b>	<b>152,244,040.95</b>

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 5/12/ 2019 and signed by:

  
 Administrator of the Fund  
 Name: LUCIA CIHENANGERA

  
 Fund Accountant  
 Name:  
 ICPAK Member Number:



WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

Reports and Financial Statements

For the year ended June 30, 2019

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2016	137,700,000.00	-	6,374,526.92	144,074,526.92
Trade and other payables from exchange transactions	-	-	159,811.05	159,811.05
Surplus/(deficit) for the period	-	-	4,149,690.22	4,149,690.22
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	137,700,000.00	-	10,684,028.19	148,384,028.19
Balance as at 1 July 2017	137,700,000.00	-	10,524,217.14	148,224,217.14
Trade and other payables from exchange transactions	-	-	159,811.05	159,811.05
Surplus/(deficit) for the period	-	-	3,700,201.71	3,700,201.71
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	137,700,000.00	-	14,384,229.90	152,084,229.90
Balance as at 1 July 2018	137,700,000.00	-	14,224,418.85	151,924,418.85
Trade and other payables from exchange transactions	-	-	159,811.05	159,811.05
Surplus/(deficit) for the period	-	-	(1,952,717.13)	(1,952,717.13)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	137,700,000.00	-	12,431,512.77	150,131,512.77



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8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		4,142,422	1,855,017
Receipts from other operating activities		-	2,352,757
<b>Total Receipts</b>		<b>4,142,422</b>	<b>4,207,774</b>
<b>Payments</b>			
Fund administration expenses		2,214,000	573,000
General expenses		14,823	9,468
Finance cost		3,866,316	-
<b>Total Payments</b>		<b>6,095,139</b>	<b>582,468</b>
<b>Net cash flows from operating activities</b>	21	<b>1,952,717</b>	<b>3,625,306</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		37,548,387	13,142,874
Loan disbursements paid out		39,300,000	141,700,000
<b>Net cash flows used in investing activities</b>		<b>1,751,613</b>	<b>128,557,126</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	25,000,000

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Net cash flows used in financing activities		-	25,000,000
Net increase/(decrease) in cash and cash equivalents		3,704,330	99,931,820
Cash and cash equivalents at 1 JULY	11	23,452,208	123,384,028
Cash and cash equivalents at 30 JUNE	11	19,747,878	23,452,208



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8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019

	Original budget	Adjust- ments	Final budget	Actual on comparable basis	Performance difference	% utilisa- tion
	2019	2019	2019	2019	2019	2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	-	-	-	276,105.74	(276,105.74)	-
Other income	-	-	-	-	-	-
<b>Total income</b>	-	-	-	<b>276,105.74</b>	<b>(276,105.74)</b>	
<b>Expenses</b>						
Fund administration expenses	-	-	-	2,214,000.00	(2,214,000.00)	-
Staff costs	-	-	-	-	-	-
General expenses	-	-	-	14,822.87	(14,822.87)	-
Finance cost	-	-	-	-	-	-
<b>Total expenditure</b>	-	-	-	<b>2,228,822.87</b>	<b>(2,228,822.87)</b>	-
<b>Surplus for the period</b>	-	-	-	<b>(1,952,717.13)</b>	<b>1,952,717.13</b>	-

## 8.6. 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	<p><b>Applicable: 1<sup>st</sup> January 2018</b></p> <p>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.</p>

#### 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	<p><b>Applicable: 1<sup>st</sup> January 2019:</b></p> <p>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.</p>

#### c) Early adoption of standards

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



### 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 on 28<sup>th</sup> June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The 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.

## **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.

#### ***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 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.

## **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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

## **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.

### ***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. 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.

#### **11. 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.

#### **12. 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.

#### **13. 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.

#### **14. 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.

#### **15. 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.

#### **16. Comparative figures**

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

#### **17. Events after the reporting period**

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

#### **18. Ultimate and Holding Entity**

The entity is a County Assembly Fund established by The West Pokot County Assembly Car Loan and Mortgage (Amended) Act, 2017. Currency

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

#### **19. 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.

### **20. 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.

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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
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-
<b>At 30 June 2017</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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 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.



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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
<b>At 30 June 2018</b>				
Trade payables	-	-	159,811.05	159,811.05
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>159,811.05</b>	<b>159,811.05</b>
<b>At 30 June 2017</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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:

	KShs	Other currencies KShs	Total KShs
<b>At 30 June 2018</b>			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

**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
<b>2018</b>			
Euro	10%	-	-
USD	10%	-	-



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<b>2017</b>				
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 xxx (2017: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2017 – KShs xxx)

**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	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-

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Less: cash and bank balances	-		-
Net debt/(excess cash and cash equivalents)	-		-
Gearing	-		-



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8.7. 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	-	-
<b>Total</b>	-	-

2. Transfers from County Government

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

3. Fines, penalties and other levies

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

4. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans)	4,142,421.50	1,929,912.92
<b>Total interest income</b>	<b>4,142,421.50</b>	<b>1,929,912.92</b>

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**5. Other income**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	2,352,756.79
<b>Total other income</b>	<b>-</b>	<b>2,352,756.79</b>

**6. Fund administration expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan processing costs	2,214,000.00	573,000.00
Professional services costs	-	-
<b>Total</b>	<b>2,214,000.00</b>	<b>573,000.00</b>

**7. Staff costs**

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

**8. General expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-



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Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses (bank charges)	14,822.87	9,468.00
<b>Total</b>	<b>14,822.87</b>	<b>9,468.00</b>

**9. Finance costs**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	3,866,315.76	-
<b>Total</b>	<b>3,866,315.76</b>	<b>-</b>

**10. Gain on disposal of assets**

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

**11. Cash and cash equivalents**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	19,747,878.15	23,452,207.80
Others	-	-
<b>Total cash and cash equivalents</b>	<b>19,747,878.15</b>	<b>23,452,207.80</b>

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

Financial Institution	Account number	FY2018/2019 KShs	FY2017/2018 KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc.		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
<b>Sub- total</b>			
<b>c) Current account</b>			
Transnational Bank Ltd	261237/500TCA00/1/0	264,934.15	4,591,150.85
Transnational Bank Ltd	261237/500TCA00/2/0	19,482,944.00	14,994,061.90
<b>Sub- total</b>		<b>19,747,878.15</b>	<b>23,451,528.51</b>
<b>d) Others</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>19,747,878.15</b>	<b>23,451,528.51</b>

12. Receivables from exchange transactions

Description	FY 2018/2019 KShs	FY2017/2018 KShs
<b>Current Receivables</b>		
Interest receivable	74,895.92	74,895.92
Current loan repayments due	125,803,733.70	128,557,126.10
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>125,883,634.62</b>	<b>128,632,022.02</b>
<b>Non Current receivables</b>		
Long term loan repayments due	4,500,000.00	-



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Total Non-current receivables	4,500,000.00	-
Total receivables from exchange transactions	130,383,634.62	128,632,022.02

**13. Prepayments**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	-	-

**14. Inventories**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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15. Property, plant and equipment

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



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At 30 <sup>th</sup> June 2017	-	-	-	-	-	-
At 30 <sup>th</sup> June 2018	-	-	-	-	-	-

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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
Trade payables	159,811.05	159,811.05
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>159,811.05</b>	<b>159,811.05</b>



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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	-	-	-	-
<b>Total provisions</b>	-	-	-	-

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 domestic borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	FY2018/2019	FY2017/2018

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

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

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

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-



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Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

21. Cash generated from operations

	FY2018/2019	FY2011/2018
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

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**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 Senate;
- c) Key management;
- d) Board of Trustees; etc.

**b) Related party transactions**

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

**c) Key management remuneration**

	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-



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d) Due from related parties

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

e) Due to related parties

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

23. Contingent assets and contingent liabilities

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

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**9. 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.