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REPORT

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OF COMMITTEE	—
CLERK AT THE TABLE	Angela Macharia

THE AUDITOR-GENERAL

ON

**TRANS NZOIA COUNTY ASSEMBLY
(MEMBERS AND STAFF) CAR LOAN AND
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**





**TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR LOAN AND
MORTGAGE SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

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

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**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trans Nzoia County Assembly (Members and Staff) Car and Mortgage Fund is established by and derive its authority and accountability from Public Finance Management Act (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2021. The Fund is wholly owned by the County Assembly of Trans Nzoia and is domiciled in Trans Nzoia County Assembly.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property and for purchase of motor vehicles to members of the scheme.

The Fund's principal activity is providing loans to Members of County Assembly (MCA) members of staff of Trans Nzoia County Assembly at affordable interest of 3% p.a.

b) Principal Activities

The Fund's principal activity is providing loans to Members of County Assembly (MCA) members of staff of Trans Nzoia County Assembly at affordable interest of 3% p.a.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Patrick Ngeywa Kisiero	Chairperson
2	Emmanuel Waswa Simiyu	Vice Chairperson
3	Ainea Obare Indakwa	Secretary
4	Eric Wafula Wekhomba	Member
5	David Wangila Kisaka	Member
6	Emmanuel Waswa Simiyu	Member
7	Bernard Wabwa	Member
8	Eric Wanyonyi Musumba	Member
9	Edward Katama Ngeywa	Member
10	Moses Wanjala Lupao	Member

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Ainea Obare Indakwa
2	Fund Accountant	Moses Wanjala Lupao
3	Legal Counsel	Edward Katama Ngeywa

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Fund Manager/ Administrator	Ainea Obare Indakwa
2	Fund Accountant	Moses Wanjala Lupao

f) Registered Offices

P.O. Box 4221-30200
County Assembly Building,
County Assembly Road,
Kitale, Kenya

g) Fund Contacts

Telephone: **054-31380/054-31617**
Email: transnzoiaassembly@gmail.com
Website; www.transnzoiaassembly.go.ke

h) Fund Bankers

Sidian Bank
Account No. 01026020002766
Kitale Branch

Sidian Bank
Account No. 01026020004442
Kitale Branch



i) Independent Auditors

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


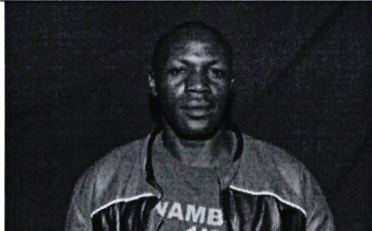



j) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 <p>Hon Patrick Ngeywa Kisiero Fund Chairperson</p>	<p>He was elected as Member of County Assembly Endebess Ward in August 2017 and the leader of Majority in October 2017. He is a vice Chairperson to the County Assembly Service Board and Chairperson Loans Management Committee.</p>
 <p>Hon. Emmanuel Waswa Simiyu Vice Chairperson</p>	<p>He was elected as Member of County Assembly Keiyo Ward in August 2017 and the leader of Minority in October 2017. He is a member of County Assembly Service Board and the Vice Chairperson Loans Management Committee.</p>
 <p>Ainea Obare Indakwa Fund Administrator</p>	<p>Mr Indakwa was recruited through a competitive process as the Clerk to County Assembly of Trans Nzoia and Secretary to the County Assembly Board on 12th February 2014. He is the CEO and the adviser to the Speaker and County Assembly Board.</p>
 <p>Hon. Erick Wafula Wekhomba Member</p>	<p>He was elected as Member of County Assembly Hospital Ward in August 2017 and the Chairperson House Welfare and Catering Committee in October 2017. He is a member to the Loans Management Committee</p>

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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 <p>Hon. David Wangila Kisaka Member</p>	<p>He was elected as Member of County Assembly Kiminini Ward in August 2017 and the Chairperson Budget and Appropriation. He is a member to the Loans Management Committee.</p>
 <p>Hon. Bernard Wabwa Member</p>	<p>He was elected as Member of County Assembly Tuwan Ward in August 2017 and Chairperson Labor and Social Welfare Committee on October 2017. He is the Majority Chief whip in the house. He is also member to the Loans Management Committee.</p>
 <p>Hon. Erick Wanyonyi Musumba Member</p>	<p>He was elected as Member of County Assembly Sikhendu Ward in August 2017 and Chairperson Trade and Industry Committee on October 2017. He is the Minority Chief whips in the house. He is also member to the Loans Management Committee.</p>
 <p>Moses Wanjala Lupao Member</p>	<p>He is currently employed by the County Assembly Service Board as the Director Finance. He holds Master in Business Administration (Finance). He is a certified Public Accountant. He is also a holder of certified secretaries of Kenya. He is charged with the responsibility of financial management at County Assembly.</p>
 <p>Edward Katama Ngeywa Member</p>	<p>He is currently employed by the County Assembly Service Board as the Director Legal Counsel. He holds a Bachelor of Law from Moi University with a Diploma from the Kenya School of Law. He is a holder of Certified Secretaries. He has 19 years' work experience as an advocate of the high court of Kenya. He is charged with the responsibility of providing legal advice.</p>

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
PREDETERMINED OBJECTIVES**

Introduction

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

The key development objectives of Trans Nzoia County Assembly (Members and staff) Car Loan and Mortgage Scheme Fund 2018-2022 plan are to:

- a) Provide affordable car loans to members of staff and Members of County Assembly
- b) Provide Mortgage facilities to Members of Staff and Members of County Assembly
- c) Facilitate growth of the fund




Progress on attainment of Strategic development

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
General administrative and support services	To provide car loans and Mortgage to Members of Staff	Loans were disbursed to staff	24 members of staff benefited from the fund	In FY 2019/20 we were able to disburse Kshs. 19,650,000 to 24 members of staff
	To provide car loans and Mortgage to Members of Staff	Loans were disbursed to staff	Addition of 7 members of staff benefited from the fund	During the fy 2020/21 we did disburse Kshs 4,100,000 to 7 members of staff
Committee services	To provide car loans and Mortgage to Members of County Assembly	Members were facilitated with car and mortgage loans	39 Members of County Assembly and Hon Speaker benefited	

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

4. MANAGEMENT TEAM

 <p>Ainea Obare Indakwa Fund Administrator</p>	<p>Mr Indakwa was recruited through a competitive process as the Clerk to County Assembly of Trans Nzoia and Secretary to the County Assembly Board on 1st March 2014. He is the CEO and the adviser to the Speaker and County Assembly Board.</p>
 <p>Moses Wanjala Lupao Director Finance</p>	<p>He is currently employed by the County Assembly Service Board as the Director Finance. He holds Master in Business Administration (Finance). He is a certified Public Accountant .He is also a holder of certified secretaries of Kenya. His charged with the responsibility of financial management at County Assembly.</p>
 <p>Edward Katama Ngeywa Director Legal Services</p>	<p>He is currently employed by the County Assembly Service Board as the Director Legal Counsel. He holds a Bachelor of Law from Moi University with a Diploma from the Kenya School of Law. He is a holder of Certified Secretaries .He has 19 years’ work experience as an advocate of the high court of Kenya. His charged with the responsibility of providing legal advice.</p>

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

It is my pleasure to present the financial statements for Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

Review of performance

Income

The fund received a total income amounting to Kshs. 1, 605, 975, being s interest earned from loan advances to members of staff and Members car loan and Mortgage.

Expenditures

The total expenditures during the period amounted to Kshs. 3,343,844 relating to bank charges and other bank deductions.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management, staff and fellow trustees for their continued support which made us achieve these results.

I look forward to your continued support in the year 2020/2021.

Signed:



Hon. Patrick Ngeywa Kisiero

Chairperson

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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For the year ended June 30, 2021.**

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

It is my pleasure to present the financial statements for Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund for the year ended 30th June 2021.

Trans Nzoia County Assembly (Members and Staff) Car and Mortgage Scheme Fund is established under the Public Finance Management Act (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan & Mortgage Scheme Fund Regulations, 2021. The fund is managed by the Loans Management Committee.

During the year 2020-2021, Kshs 4,100,000 was disbursed to 7 members of staff bringing the total number of beneficiaries to 31 members of staff since the year 2019 to date.

The total of Kshs 3,003,033 was recovered as principle amounts and credited in the funds account (01026020004442) leaving an outstanding loan balance of Kshs. 19,115,277 as at 30th June 2021. The fund also received Kshs. 458,388 which was realised as interest earned from loan advances to members of staff and the same was credited to the fund account no 01026020004442). Similarly, an interest of Kshs. 1,147,587 was realised on Members car loan and Mortgage account no. 01026020002766.

Following the Salaries and Remuneration Commission Circular No. SRC/TS/COG/3/61/48 VOL. II dated 9th February 2021, the Car loan scheme for Members of county assembly was terminated and Members were therefore facilitated with Car grant amounting to Kshs. 82,000,000 (Eighty two million). The car grant was advanced from County assembly account no. 01026020002766 held at Sidian bank Kitale with a deposit sum of Kshs 200,000,000 that is used as collateral to guarantee car loan and mortgage advanced to Members of County Assembly (MCAs) by Sidian bank. The deposit held by bank has therefore reduced by the total amounts advanced as car grant.

To ensure the continuity of the fund, the budgetary allocation of Kshs 82,000,000 has been provided for in the fiscal year 2021-2022 budget to regularise the fund account in which the car grant to Members of County Assembly was advanced.

Signed: A Indakwa

Ainea Obare Indakwa
Fund Administrator



7. CORPORATE GOVERNANCE STATEMENT

The Fund

The Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to Public Finance Management Act (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan & Mortgage Scheme Fund Regulations, 2021. Its mandate is to provide Car loans and Mortgage to Members of County Assembly (MCA) and Members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the fund administration committee at its apex. The roles and functionality of the fund are drawn from Trans Nzoia County Assembly (Members and Staff) Car Loan & Mortgage Scheme Fund Regulations, 2021.

AUDIT AND RISK COMMITTEE

It is regrettable that during the year under audit review, the audit committee was not yet in place. However, the audit committee has been constituted and is now in place. In ensuring that corporate governance and integrity is enhanced in governance of the fund, the Fund Administration Committee is looking forward to engage the audit committee established by County Assembly Service Board from time to time to mitigate possible risks. The newly constituted audit Committee consists of the following:

S/No.	Name	Position in committee
1	Mr. Dickson Malanga Makhanga	Chairman Audit committee
2	Ms Magdalyne Chermtai Kirui	Member Audit committee
3	Ms Irine Minoo Wekesa	Member Audit committee
4	Paul Wafula Barasa	Member Audit committee

STATEMENT OF COMPLIANCE

The Fund Administration Committee confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Fund Administration Committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may

Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. No significant failings or weaknesses were identified during the FY 2020/2021

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and policies through committee meetings. The team meets regularly to ensure that the Committee's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor-General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow and the management has put measures in place to safeguard against risks.

The fund's activities expose it to a variety of financial risks including credit and liquidity risks. 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 members with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and seeks to make sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

Business Performance

Revenue

Revenue received from the Transfers from County Treasury amounted to Kshs nil with an Interest Income of Kshs 1,605,975 for the period under review.

Cash flows

In the fiscal year 2020/2021, we had liquidity disruptions arising from presidential directive and to provide car grant to members of County Assemblies. In compliance with the Salaries and Remuneration Commission Circular No. SRC/TS/COG/3/61/48 VOL. II dated 9th February 2021, a total of Kshs 82 million was advance to MCAs as car grant and as a result, the cash and cash equivalents was reduced from Kshs 205,063,708 to Kshs 134,281,136 as at 30th June 2021.

Operational Performance

The fund's core operating activity has been to offer car loans and mortgage facilities to members of staff and Members of County Assembly at an affordable 3% interest per annum.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The County Assembly of Trans Nzoia exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering on relevant legislation, representation and oversight services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

The County Assembly of Trans Nzoia uses participatory and collaborative approach in order to uphold the principal of public participation, it has also embraced the use of information and communication technologies and new media, i.e. social media in order to increase outreach with the residents of Trans Nzoia. This has led to the enactment of pieces of legislation during the year. However, untimely disbursements of exchequer have negatively impacted on capacity development of MCA's and effective public participation

2. Environmental performance

The County Assembly of Trans Nzoia endeavours to go paperless in terms of notice of motions, order paper and all house communications to MCA's. To this end, MCAs were facilitated with mobile tablets.

3. Employee welfare

Employees of the County Assembly are hired competitively on merit giving equal opportunities to gender, tribe and ethnicity. Continuous employee training is encouraged through sponsorship to relevant training opportunities for improved skills and promotions and career progression rewarded to the deserving officers. The County Assembly of Trans Nzoia has ensured employee safety by provision of a medical insurance scheme, clearly marked work place emergency exits, fire assembly point and a ramp for persons living with disability.

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

County Assembly supply of goods and services are competitively sourced through competitive tendering, staff of the County Assembly are political, thus serves the public with political neutrality.

b) Responsible Supply chain and supplier relations

Payment for goods supplied and or services rendered are made promptly as and when goods are supplied or services rendered. The County Assembly has kept pending bills to the lowest minimum.

c) Responsible marketing and advertisement

For every public engagement, the County Assembly of Trans Nzoia has ensured publication of advertisements/notices in media with the widest circulation to ensure a wider outreach

d) Product stewardship

Every public petition to the Assembly is treated with fair administrative justice. In conducting its oversight role every person summoned to appear before the Assembly's oversight committee is treated with utmost respect and accorded fair hearing.

5. Community Engagements

Members of the County Assembly have annually participated in the national beyond zero campaigns marathon, aimed at eliminating child mortality and the annual County Assemblies Sports Association aimed at promoting national cohesion, and cultural diversity. In its legislative role the County Assembly has enacted the Elimu bursary regulations that has facilitated award of bursaries to needy students from across the County.

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.***

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the fund are to provide loans to Members of County Assembly (MCA) members of staff of Trans Nzoia County Assembly at affordable interest of 3% p.a.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page

10.3 Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page **iv – vi**.

10.4 Auditors

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

By Order of the Board

Sign:

Name: Patrick Ngeywa Kisiero

Chair of the Board/ *Fund Administration Committee*

Date: 1st November 2021

11. 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2021. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.


Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

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 revised and approved by the Board on 1st November, 2021 and signed on its behalf by:


Name: Ainea Obare Indakwa



Administrator of the County Public Fund

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 TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2021,

the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Interest Income

The statement of financial performance reflects interest income totalling Kshs.1,605,975, comprised of Kshs.331,307, Kshs.127,081 and Kshs.1,147,587 received from mortgage loans, car loans and bank deposits respectively. However, Management did not provide schedules to support income totalling Kshs.1,147,587 reported to have been received on bank deposits.

As a result, the occurrence, accuracy and completeness of the interest income totalling Kshs.1,147,587 could not be confirmed.

2. Cash Flows from Investing Activities

The statement of cash flows reflects a negative net cash flows from investing activities totalling Kshs.1,793,675 which differs from the recasted balance of Kshs.1,096,967 resulting to an unreconciled variance of Kshs.696,708.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

3. Accumulated Surplus

The statement of changes in net assets reflects an accumulated surplus amounting to Kshs.1,891,499 for the year ended 30 June, 2020. However, the audited statement for the 2010/2020 financial year reflected nil accumulated surplus.

In the circumstance, the accuracy of the statement of changes in net assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 communicate in the year under review.

Other Matter

Unresolved Prior Year Matters

The audit report for the previous year raised various issues which had not been resolved as at 30 June, 2021. Further, contrary to the reporting framework prescribed by Public Sector Accounting Standards Board, Management did not append to the financial statements a report on the progress made in resolving the audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Secure Loans Issued

The Fund's records reflected car loans and mortgages totalling Kshs.17,272,841 advanced in the financial year 2019/2020. However, no records were provided to confirm that motor vehicles bought through the loans were registered as jointly owned by the borrowers and the County Assembly Service Board, as required by Regulation 15(1) of the Public Finance (The Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund) Regulations, 2021. The Regulations provide for joint registration of property financed through any loan granted by the Scheme.

Similarly, there was no evidence that Management registered charges on the properties financed through the loans granted, and that the borrowers provided transfer deeds duly signed and letters authorizing the Board of Trustees to sell their respective properties in the event of default in repayment of their loans.

In the circumstances, recoverability of loans may not be assured whenever borrowers default on repayment.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, plan, and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities

in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to 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 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

26 July, 2022

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

13. FINANCIAL STATEMENTS

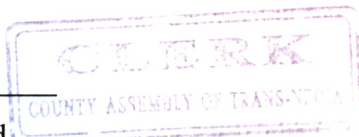
13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021 Kshs.	2019/2020 Kshs.
		-	-
Revenue from exchange transactions			
Interest income	1	1,605,975	1,901,219
Other income(sundry bank transactions)	2	14,797,733	
Total revenue		16,403,708	1,901,219
Expenses			
General expenses	3	3,343,844	9,720
MCA Car Grant	4	82,000,000	
Total expenses		85,343,844	9,720
Surplus/(deficit) for the period		(68,940,136)	1,891,499

The notes set out on pages 26 to 27 form an integral part of these Financial Statements.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were revised and approved on 1st November 2021 and signed by:

Aine Obare Indakwa



Administrator of the Fund

Name: Ainea Obare Indakwa

Lupao Moses Wanjala

Fund Accountant

Name: Lupao Moses Wanjala

ICPAK Member Number: 8315



**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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For the year ended June 30, 2021**

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021 KShs.	2019/2020 KShs.
Assets			
Current assets			
Cash and cash equivalents	5	134,281,136	205,063,708
Current portion of long- term receivables from exchange transactions	6	19,115,277	17,272,841
Total assets		153,396,413	222,336,549
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities			
Long term portion of borrowings		-	-
Non-current employee benefit obligation		-	-
Total liabilities		-	-
Net assets		153,396,413	222,336,549
Revolving Fund	7	222,336,549	220,445,050
Reserves		-	-
Accumulated surplus		(68,940,136)	1,891,499
Total net assets and liabilities		153,396,413	222,336,549

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were revised and approved on 1st November 2021 and signed by:

Administrator of the Fund

Name: Ainea Obare Indakwa

Fund Accountant

Name: Lupao Moses Wanjala

ICPAK Member Number: 8315



**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve KShs	Accumulated surplus KShs	Total KShs
Balance as at 1 July 2019	220,445,050	-	-	220,445,050
Surplus/(deficit) for the period	-	-	1,891,499	1,891,499
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	220,445,050	-	1,891,499	222,336,549
Balance as at 1 July 2020	222,336,549	-	-	222,336,549
Surplus/(deficit) for the period	-	-	(68,940,136)	(68,940,136)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	222,336,549	-	(68,940,136)	153,396,413

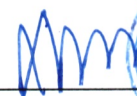
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were revised and approved on 1st November 2021 and signed by:



Administrator of the Fund

Name: Ainea Obare Indakwa





Fund Accountant

Name: Lupao Moses Wanjala

ICPAK Member Number: 8315

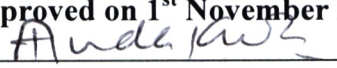


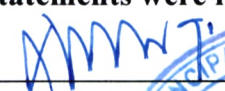
**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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For the year ended June 30, 2021**

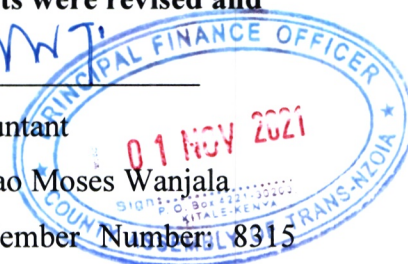
13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021 Kshs.	2019/2020 Kshs.
Cash flows from operating activities			
Receipts			
Interest received	1	1,605,975	1,354,538
Receipts from other operating activities	2	14,797,733	-
Total Receipts		16,403,708	1,354,538
Payments			
General expenses	3	3,343,844	9,720
MCA Car Grant	4	82,000,000	-
Total Payments		85,343,844	9,720
Cash flows from operating activities		(68,940,136)	1,344,818
Adjusted for :			
Less:- Interest Receivable	6	(48,761)	(41,329)
Net cash flows from operating activities		(68,988,897)	(1,303,489)
Cash flows from investing activities			
Proceeds from loan principal repayments	6	3,003,033	2,418,488
Loan disbursements paid out	6	(4,100,000)	(19,650,000)
Net cash flows used in investing activities		(1,793,675)	(17,231,512)
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		(70,782,572)	(15,928,023)
Cash and cash equivalents at 1 st July 2020	5	205,063,708	220,991,731
Cash and cash equivalents at 30 JUNE	5	134,281,136	205,063,708

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were revised and approved on 1st November 2021 and signed by:


Administrator of the Fund
Name: Ainea Obare Indakwa


Fund Accountant
Name: Lupao Moses Wanjala
ICPAK Member Number: 8315



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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% Utilization
	2021	2021	2021	2021	2021
	Kshs.	Kshs.	Kshs.	Kshs.	
Revenue					
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-
Interest income	16,403,708	-	16,403,708	16,403,708	-
Other income	-	-	-	-	-
Total income	16,403,708	-	16,403,708	16,403,708	-
Expenses					
Fund administration expenses		-	-	-	
General expenses	85,343,844	-	85,343,844	85,343,844	
Finance cost	-	-	-	-	
Total expenditure	85,343,844	-	85,343,844	85,343,844	
Surplus for the period	(68,940,136)	-	(68,940,136)	(68,940,136)	

Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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13.5 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.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/ Amendments: Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

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<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the County Assembly of Trans Nzoia upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on 30th April 2021 the FY 2020/2021 budgets following the governing body's approval.

The Trans Nzoia County Assembly 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

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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.

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. *Entity to state the reserves maintained and appropriate policies adopted.*

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.

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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/Trustee, the Fund Managers and Fund Accountant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (*Remove if not applicable*) 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 The Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations 2021. Its ultimate parent is the County Assembly of Trans Nzoia.

20. Currency

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

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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.

State all judgements, estimates and assumptions made: e.g

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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.

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

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 entity's management based on prior experience and their assessment of the current economic environment.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
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)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxx.

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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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.

d) Foreign currency risk

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
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	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

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

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 (2021: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

f) Capital risk management

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	Kshs.	Kshs.
Revolving fund	222,336,549	-
Sidian Bank Account No. 01026020002766		200,000,000
Sidian Bank Account No. 01026020004442		20,427,050
Reserves in Account No. 01026020004442		18,000
Accumulated Surplus/Deficit	(68,940,136)	1,891,499
Total funds	153,396,413	222,336,549
Total borrowings	21,331,512	19,650,000
Less: cash and bank balances	(3,003,033)	(2,418,488)
Add: Interest due for the year	90,090	41,329
Net debt/(excess cash and cash equivalents)	19,115,277	17,272,841
Gearing	%	%

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Interest income from Mortgage loans-Staff	331,307	290,460
334936 Interest income from car loans-Staff	127,081	111,830
Interest income on bank deposits-Sidian Ac. 0102620002766	1,147,587	1,457,600
Total interest income	1,605,975	1,901,219

2. Other income

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Direct credits into Sidian A/c no. 01026020002766	(5,771,324)	-
Direct debits into Sidian Account no. 01026020002766	8,042,932	-
Un-credited cash book payroll recoveries remitted to ac no 01026020002766	12,526,125	-
Total other income	14,797,733	-

3. General expenses

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Bank Charges-Sidian a/c no. 01026020002766	6,720	-
Bank Charges-Sidian a/c no. 01026020004442	7,380	9,720
Other expenses-direct debits to a/c no. 01026020002766	3,329,744	-
Total	3,343,844	9,720

4. Car grant

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Disbursement of MCA Car Grant	82,000,000	-
Total	82,000,000	-

Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund
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15. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	2020/2021	2019/2020
	Kshs.	Kshs.
MCA Car loan & Mortgage account	131,050,372	201,457,600
Staff Car Loan & Mortgage account	3,230,764	3,606,108
Total cash and cash equivalents	134,281,136	250,063,708

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

Financial institution	Account number	2020/2021	2019/2020
		Kshs.	Kshs.
a) Current account			
Sidian Bank-Kitale Branch	01026020002766	131,050,372	201,457,600
Sidian bank-Kitale Branch	01026020004442	3,230,764	3,606,108
Grand total		134,281,136	205,063,708

6. Receivables from exchange transactions

Description	2020/2021	2019/2020
	Kshs.	Kshs.
Balance brought forward	17,231,512	
Add:- Borrowing during the year	4,100,000	19,650,000
Less:- Proceeds from loan recoveries	(3,003,033)	(2,418,488)
Add: Principal amounts due during the year	696,708	-
Current principal loan repayment due (A)	19,025,187	17,231,512
Interest receivables		
Balance brought forward	41,329	
Gross interest income due	507,149	443,619
Less:-Interest received during the year	(458,388)	(402,290)
Interest due during the year (B)	90,090	41,329
Total receivables from exchange transactions(A+B)	19,115,277	17,272,841

7. Revenue from Non-Exchange Transactions

	2020/2021	2019/2020
	Kshs	Kshs
Revolving fund		
Sidian Bank Account No. 01026020002766	200,000,000	200,000,000
Sidian Bank Account No. 01026020004442	20,427,050	20,427,050
Reserves in Account No. 01026020004442	18,000	18,000
Accumulated surplus/deficit	1,891,499	-
Total	222,336,549	220,445,050

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16. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITORS RECOMMENDATION'S

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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.

Trans Nzoia County Assembly (Members and Staff) Car Loan & Mortgage Scheme Fund		
Trial Balance		
As at 30th June 2021		
	Debit	Credit
	Kshs	Kshs
Trade and Other receivables		
Current portion of Loan repayments due	19,094,501.00	-
Cash and Cash Equivalents	134,281,136.00	
Reserves		
Revolving Fund		222,336,549.00
Accumulated Revenue Gains b/f		-
Sundry Bank Transactions		
Direct Credits into Bank Account no. 01026020002766	5,771,324.00	-
Direct Debits into bank Account no. 01026020002766		8,042,932.00
Uncredited Cashbook Payroll Recoveries remitted into bank account		12,526,125.00
MCA Car Grant		
Disbursement -MCA Car Grant	82,000,000.00	-
Revenue		
Interest income from loans	-	1,605,975.00
General Expenses		
Other Operating Expenses	3,364,620.00	
	-	
Total	244,511,581	244,511,581