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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LAIKIPIA COUNTY ASSETS LEASING  
FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





OFFICE OF THE AUDITOR GENERAL  
CENTRAL HUB

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**LAIKIPIA COUNTY ASSETS LEASING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2020**

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

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Annual Reports and Financial Statements

For the year ended June 30, 2020

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# LAIKIPIA COUNTY ASSETS-LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 2. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

The Laikipia County Assets Leasing Fund is a revolving fund established pursuant to Section 116 of the Public Finance Management (PFM) Act 2012. The Act also mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the monies, the Leasing Fund developed Regulations in 2020 to guide in the operationalization and accountability of the fund.

The objective and the purpose of the Fund is to finance rental payments and operations costs related to the leasing program.

#### b) Principal Activities

The principal activity/mission/ mandate of the Fund is to finance and coordinate activities under the leasing program.

#### c) Fund Administration Committee

Ref	Name	Position
1	Karanja Njora.	Chairperson
2	Murungj Ndai.	Member
3	Paul Njenga	Secretary
4	Kenneth Karanja	Member
5	Alexander Muchemi	Member

#### d) Key Management

Ref	Name	Position
1	Paul Njenga	Fund Administrator
2	Rufus Makuno	Director – Fleet Management
3	Kenneth Karanja	Chief Officer Infrastructure

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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#### **e) Registered Offices**

P.O Box 1271-10400  
County Interim Headquarters  
Nanyuki, Kenya

#### **f) Fund Contacts**

Telephone: (254) 716-031031

E-mail:

Website:

#### **g) Fund Bankers**

Absa Bank  
Nanyuki, Kenya

#### **h) Independent Auditors**

Office of Auditor General  
Anniversary Towers, University Way  
Tel ISDN NO. +254-020-3214000  
Email:  
Fax +254-20-311482  
P.O. Box 30084 - 0100  
Nairobi.

#### **i) Principal Legal Adviser**

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

#### **j) County Legal Adviser**

P.O. Box 1271 - 10400  
Office of the Governor  
Nanyuki, Kenya

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 3. STATEMENT OF PERFORMANCE AGAINST 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 Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Leasing Fund are to:

- a) Provide quality physical infrastructure in the County
- b) Provide efficient and reliable transport services for County activities

#### Progress on attainment of Strategic development objectives of the Leasing Fund

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Leasing of vehicles and equipment	Provide quality physical infrastructure in the County	Leased motor vehicles and equipment	No. of leased vehicles and equipment	16 vehicles and equipment leased; water bowsers, trucks, graders, drum rollers, Hilux
	Provide efficient and reliable transport services for County activities			

## LAIKIPIA COUNTY ASSETS LEASING FUND

### Reports and Financial Statements

For the year ended June 30, 2020

#### 4. MANAGEMENT TEAM

Name	Details of qualifications and experience
Paul Njenga	<p>He is the Fund Administrator and Secretary to the committee. He is also the Accounting Officer Finance, Economic Planning and County Development</p> <p>He is currently pursuing his PhD. In Business Administration - Finance. He holds a Master's in Business Administration (Finance), a Bachelor's degree in Education (Economics and Mathematics) and a Diploma in Purchasing and Supply</p> <p>He is a Certified Change Manager and a member of CIPS – Chartered Institute of Purchasing and Supply KISM – Kenya Institute of Supply Management</p>
Rufus Makuno	<p>He is a Fund member and the Director Fleet Management in Laikipia County Executive.</p> <p>He is currently pursuing his Master's in Business Analytics and holds a Bachelor's degree in Statistics.</p> <p>He is a Certified Public Accountant (CPA Finalist)</p>

# LAIKIPLA COUNTY ASSETS LEASING FUND

Reports and Financial Statements

For the year ended June 30, 2020

## 6. REPORT OF THE FUND ADMINISTRATOR

The Leasing Fund was created to aid in coordination of activities related to the leasing program. This Program is an innovative way by Laikipia County to enable the County utilise the most up to date technology for machinery and equipment while not tying up so much cash on asset acquisition but rather use such cash for developed activities.

Below is an analysis of the leased vehicles and equipment under the leasing program;

VEHICLE REG. NO.	MAKE	DATE OF DELIVERY	COMMISSIONING DATE
KHMA685Q	EXCAVATOR	27/1/2020	8/2/2020
KCW 298H	FVZ TIPPER	8/10/2019	2/11/2019
KCW299H	FVZ TIPPER	8/10/2019	3/11/2019
KCW307H	FVZ TIPPER	8/10/2019	5/11/2019
KCW308H	FVZ TIPPER	8/10/2019	2/11/2019
KCW309H	FVZ TIPPER	8/10/2019	3/11/2019
KCX149D	FVZ WATER BOOZER	11/12/2019	2/1/2020
KCX150D	FVZ WATER BOOZER	11/12/2019	7/1/2020
KHMA 976Q	HAMM DRUM ROLLER	29/05/2020	29/05/2020
KHMA 980Q	HAMM DRUM ROLLER	29/05/2020	29/05/2020
KHMA584Q	MOTOR GRADER	9/10/2019	21/11/19
KHMA586Q	MOTOR GRADER	20/12/2019	9/1/2020
KCV520Z	TOYOTA HILLAX	6/10/2019	6/10/2019
KCV525Z	TOYOTA HILLAX	6/10/2019	6/10/2019
KCV526Z	TOYOTA HILLAX	6/10/2019	6/10/2019
KCV538Z	TOYOTA HILLAX	6/10/2019	6/10/2019

The following is a list of activities under taken by leased equipment as at the end of financial year

LOCATION	ACTIVITY UNDERTAKEN
Salama Ward	Roads improvement work commenced on 4/11/2019 and concluded on 16/03/2020; 26kms and 31.90kms of roads graveled and graded respectively
OI Moran Ward	Roads improvement works commenced on 28/11/2019 30.2kms graveled and graded 48.3kms
Sossian Ward	Road improvements works commenced on 7/02/2020 48.4kms graded and over 8km of murram materials excavated
Marmanet Ward	Road improvements commenced on 9/03/2020; 15.3km and 37.0km graded and graveled
Umande Ward	Roads improvement works commenced on 2/04/2020; 19.15kms and 15.4kms graded and graveled
Githiga Ward	The road improvement work commenced on 20/05/2020; 30.8km graded

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 5. FUND CHAIRPERSON'S REPORT

The Public Finance Managements Act 2012 Section 116 gives the CECM Finance powers to establish public funds with the approval of the County Executive Committee (The Cabinet) and the County Assembly. The Act instructs that there shall be a person appointed by the CECM Finance to administer the Fund and guides on the role of the administrator. The Fund Regulations 2020 were developed to guide on the management, operations and accountability of the Fund.

The purpose of the Fund shall be to

- a) Finance rental payments for assets leased by the County
- b) Finance operations of the leased assets
- c) Provide services at a fee to external clients utilizing the leased assets in line with the Master Lease Agreements

The functions of the Management Committee include;

- a) Formulating guidelines for determination of assets for leasing, allocation and management of the leased assets to users
- b) Review proposals and received and give recommendations on assets and number to be prioritized
- c) Approve ensure lease rentals are paid as per the terms of the Master Lease Agreement
- d) Ensure the applicable laws, regulations and procedures are followed
- e) Receive, review and approve statutory and management reports of the Fund before submission to third parties
- f) Prepare estimates of each financial year of the revenue and expenditure of the Fund, which shall then be approved by the CECM Finance before commencement of each financial year.

The Laikipia Leasing Program has enabled Laikipia to lease motor vehicles and equipment thus releasing so much cash for other development activities especially the road network by 98km of roads gravelled and 240kms of roads graded. Some of the leased machineries are water bowsers, trucks, graders and drum rollers. The County is set to upgrade more than 3,000km of new and existing roads in all the 15 wards under this program.

Establishment of the Leasing Fund in the financial year has caused a significant drop in transport hire, fuel oil & lubricants and routine maintenance costs for the County Government Executive.

Despite the challenges faced by the County and Country at large, we are optimistic that the new financial year will be better and the Fund will expand the coverage of leased equipment to enhance service delivery in Laikipia.

  
**Karanja Njora**

**Chairperson**

**Laikipia County Assets Leasing Fund**

**COUNTY GOVERNMENT OF LAIKIPIA**

30 SEP 2020

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

Mukogodo East	Road works began on 16/06/2020; 1.7km and 3.0km graveled and graded respectively
Segeera Ward	Road works commenced on 25/06/2020; 4km and 2km graded and graveled
Thingithu Ward	Road works commenced on 16/06/2020; 6km and 6.7km of road were rehabilitated through grading and graveling
Tigithi Ward	The road improvement works commenced on 19/06/2020; 13.1km of road have been graded and 0.95km graveled

The Fund as so far incurred rental lease expenditure amounting to Kshs. 51,690,578 being Cash payments of Kshs. 29,990,873 and accrued amounts of Kshs. 45,573,532.

Various machineries were serviced in the financial year as detailed below;

Vehicle/ Equipment	Activity undertaken
2 Graders	Both undergone the first free 250hrs service, 500hrs and 750hrs service.
4 Leased Toyota Hilux Double cabs	They have been serviced for 5,000km, 10,000km, 15,000km, 20,000km, 25,000 km, 30,000km, 35,000 km
5 leased trucks	They have been serviced for the first 1000km in December 2019, 7500 km and 15000km.
2 Water bowsers	They have been serviced for the first 1000km only
1 leased excavator	It has been serviced for up to 450hrs
2 Hamm drum rollers	The first 50hr service was conducted on 30th June 2020



**Paul Njenga**

**Fund Administrator**

**Laikipia County Assets Leasing Fund**

**COUNTY GOVERNMENT OF LAIKIPIA**



**LAIKIPIA COUNTY ASSETS LEASING FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**7. MANAGEMENT DISCUSSION AND ANALYSIS**

Leasing is becoming a preferred solution to resolve fixed asset requirements vs. purchasing the asset. A Leased Asset is an asset that is rented by the owner to another party in return of money or any other favour. While leasing an asset, the owner enters into a contract allowing the other party the temporary use of an asset. While evaluating this venture, it is essential for the owner of the capital to understand whether leasing would yield better benefits or not. Laikipia County conducted a feasibility study on leasing and came to a conclusion that leasing is the best way to go for the County. This resulted to the establishment of The Leasing Fund; an entity within the County Government of Laikipia Executive. Its core functions are to finance and coordinate activities related to the Leasing program. Currently, the Fund has leased motor vehicles and machinery; some motor vehicles are used in the normal County operations under various departments while the leased equipment is used for development activities mainly construction of roads.

The Fund also finances operational activities related to the leasing program including inspection costs and fuel costs.

Through the Fund, the County has managed to develop its road network by 98km of roads gravelled and 240kms of roads graded, with an intention of upgrading more than 3,000km of new and existing roads in all the 15 wards.

Benefits that the County has derived through the leasing program;

- It does not tire up much funds since its payable by instalments over a long period while utilizing the equipment for development activities.
- The County pays for the leased asset through instalments over a fixed period of time, which has helped us budget for the future
- It has also given the County a chance to utilizing the cash (*that would have been used up in acquiring the assets*) to fund other development activities.
- The County now has access to a higher standard of equipment, which might have been too expensive to purchase outright
- The County is enjoying fewer responsibilities that come with ownership since it does not have to worry about maintenance and equipment break down as the Leasing company takes care these

**LAKEPIA COUNTY ASSETS LEASING FUND****Reports and Financial Statements**

For the year ended June 30, 2020

Below is a financial analysis breakdown of the Fund activities as at 30<sup>th</sup> June 2020.

The Fund does not have comparative figures as it was established within the financial year 2019-2020

<b>Description</b>	<b>Amount</b>
<b>Revenue</b>	
Transfers from the County Government	95,052,334
<b>Total revenue</b>	<b>95,052,334</b>
<b>Expenditure</b>	
Bank Charges	(12,960)
Fuel	(4,000,000)
Allowances	(2,715,200)
Rental Cost	(29,990,873)
<b>Total expenditure</b>	<b>(36,719,033)</b>
<b>Cash and cash equivalents</b>	<b>49,529,766</b>
<b>Accounts Receivable</b>	<b>8,803,535</b>
<b>Accounts Payable (rental costs)</b>	<b>(46,861,715)</b>

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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#### **8. CORPORATE SOCIAL RESPONSIBILITY /SUSTAINABILITY REPORTING**

As an entity formed under the County Executive, we have adopted the culture of the Executive on stakeholder inclusion in our activities that are shared to the public through public participation and engagement forums execute by the County during the entire budget making process.

The Fund compliance with the Public Finance Management Act 2012 and the Procurement and Asset Disposal Act 2015 and their respective regulations to ensure proper finance management and accountability of public resources.

The aim of this Fund is to improve the road network in Laikipia that will ultimately improve business, trading, farming etc. thus contribute to the County's GDP and the communities wellbeing.

Through the leasing program the County has managed to gravel 98km of roads and grade 240kms of roads in the various wards. We look forward to attaining our target of upgrading more than 3,000km of new and existing roads in all the 15 wards under this program.

Vehicles leased under this program have also be useful in accessing various locations within or County as our leaders engage in public functions and hold public engagement from civic education, public participation on budgeting for development activities and public opinion on the finance bill that enables the County raise own source revenue.

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. 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 leasing Fund regulations. 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, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

#### Approval of the financial statements

The Fund's financial statements were approved by the Board on 30/09/2020 and signed on its behalf by:



**Pauli Njenga**

**Fund Administrator**

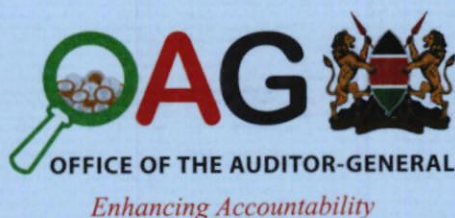
**Laikipia County Assets Leasing Fund**

**COUNTY GOVERNMENT OF LAIKIPIA**



# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY ASSETS LEASING FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Laikipia County Assets Leasing Fund set out on pages 14 to 32, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Laikipia County Assets Leasing Fund as at 30 June, 2020, 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.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Laikipia County Assets Leasing 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 opinion.

#### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Compliance with Public Finance Management Act, 2012 on Establishment of County Fund**

A review of records indicated that the Fund commenced its operations in July 2019 before it was legally established on 12 June, 2020 through the enactment of the Public Finance Management (The Laikipia County Leasing Fund) Regulations, 2020 vide Kenya Gazette Supplement No.20 (Laikipia County Legislative Supplement No. 8) of 12 June, 2020. The operations of the fund prior to enactment of regulation contravene the requirement of Section 196(1) of the Public Finance Management Act, 2012 which prohibit a public officer to spend public money unless authorized by the Constitution, an Act of Parliament or County legislation.

Management was, therefore in breach of the law.

## 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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

11 February, 2022

**LAIKIPIA COUNTY ASSETS LEASING FUND****Reports and Financial Statements****For the year ended June 30, 2020****11. FINANCIAL STATEMENTS****11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019/2020 KShs
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	1	95,052,334
<b>Total revenue</b>		<b>95,052,334</b>
<b>Expenses</b>		
Fund administration expenses	2	-
General expenses	3	(83,580,748)
Finance costs	4	-
<b>Total expenses</b>		<b>(83,580,748)</b>
<b>Surplus/( deficit) for the period</b>		<b>11,471,586</b>

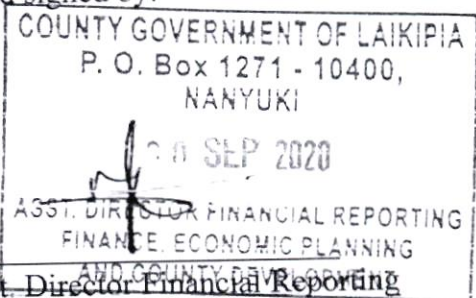
The Fund does not have comparative figures from previous period as it was established in the financial year 2019/2020.

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 30/09/2020 and signed by:



Administrator of the Fund  
Name: Paul Njenga



Asst. Director Financial Reporting  
Name: Florence Wangechi  
ICPAK Member No: 24100

**LAIKIPIA COUNTY ASSETS LEASING FUND**  
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**11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

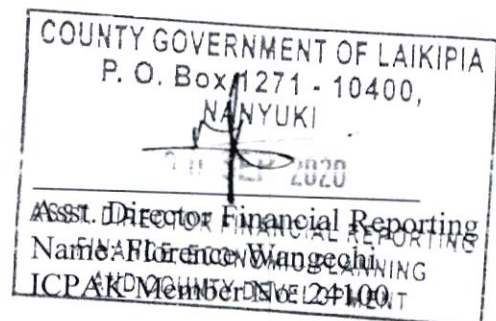
	Note	2019/2020 KShs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	49,529,766
Receivables from non-exchange transactions	6	8,803,535
Receivables from outstanding Imprest	7	-
		<b>58,333,301</b>
<b>Non-current assets</b>		
Acquisition of PPEs	8	-
<b>Total assets</b>		<b>58,333,301</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade Payables	9	(46,861,715)
		<b>(46,861,715)</b>
<b>Total Net Assets</b>		<b>11,471,586</b>
<b>Financed by:</b>		
Fund Balance b/fwd.		-
Accumulated surplus		11,471,586
<b>Total</b>		<b>11,471,586</b>

The Fund does not have comparative figures from previous period as it was established in the financial year 2019/2020. 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 30/09/2020 and signed by:



Administrator of the Fund  
 Name: Paul Njenga



# LAIKIPIA COUNTY ASSETS LEASING FUND

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## 11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revaluation Gain	Revaluation Reserve	Accumulated Surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period			11,471,586	11,471,586
Revaluation gain		-		-
Balance as at 30 June 2020	-	-	11,471,586	11,471,586

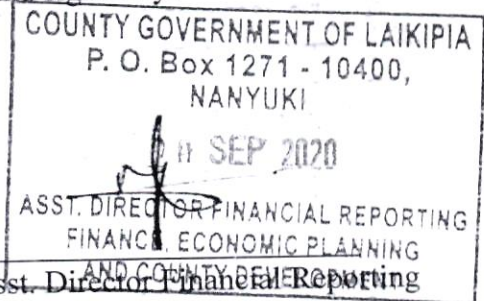
The Fund does not have comparative figures from previous period as it was established in the Financial year 2019/2020.

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 30/09/2020 and signed by:



Administrator of the Fund  
Name: Paul Njenga



Asst. Director of Financial Reporting  
Name: Florence Wangechi  
ICPAK Member No: 24100

# LAIKIPIA COUNTY ASSETS LEASING FUND

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## 11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 KShs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government	12	95,052,334
<b>Total Receipts</b>		<b>95,052,334</b>
<b>Payments</b>		
Fund administration expenses		-
General expenses		-
Finance cost	13	(36,719,033)
<b>Total Payments</b>		<b>(36,719,033)</b>
<b>Adjusted for:</b>		
Decrease/(Increase) in Receivables	11	(8,803,535)
Increase/(Decrease) in Payables	11	-
<b>Net cash flows from operating activities</b>		<b>49,529,766</b>
<b>Cash flows from investing activities</b>		
Acquisition of assets	13	-
<b>Net cash flows used in investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Additional borrowings		-
Repayment of borrowings		-
<b>Net cash flows used in financing activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>49,529,766</b>
Cash and cash equivalents at 1 JULY		-
<b>Cash and cash equivalents at 30 JUNE</b>		<b>49,529,766</b>

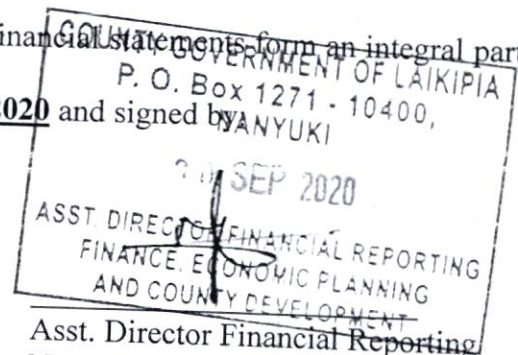
The Fund does not have comparative figures from previous period as it was established in the Financial year 2019/2020.

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 30/09/2020 and signed by



Administrator of the Fund  
Name: Paul Njenga



Asst. Director Financial Reporting  
Name: Florence Wangechi  
ICPAK Member No: 24100

# LAIKIPIA COUNTY ASSETS LEASING FUND

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## 11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance utilization
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Transfers from County Govt.	88,500,000	-	88,500,000	95,052,334	(6,552,334)	107%
<b>Total income</b>	<b>88,500,000</b>	<b>-</b>	<b>88,500,000</b>	<b>95,052,334</b>	<b>(6,552,334)</b>	<b>107%</b>
<b>Payments</b>						
Administration expenses	-	-	-	-	-	-
General expenses	88,500,000	-	88,500,000	36,719,033	51,780,967	41%
Finance cost	-	-	-	-	-	-
<b>Total payments</b>	<b>88,500,000</b>	<b>-</b>	<b>88,500,000</b>	<b>36,719,033</b>	<b>51,780,967</b>	<b>41%</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,333,301</b>	<b>(58,333,301)</b>	

Under-utilization is because the Fund operations started in the 3<sup>rd</sup> Quarter of the financial year.

The total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis. The budget statement is prepared on a cash basis while the statement of financial performance as detailed in the reconciliation below:

	STATEMENT OF FINANCIAL PERFORMANCE	STATEMENT OF COMPARISON BUDGET AND ACTUAL	VARIANCE	REMARKS
<b>REVENUE</b>				
Transfers from County Govt.	88,500,000	95,052,334	(6,552,334)	
	<b>88,500,000</b>	<b>95,052,334</b>	<b>(6,552,334)</b>	
<b>PAYMENTS</b>				
General expenses	83,580,748	36,719,033	46,861,715	Accrued rental costs
	<b>83,580,748</b>	<b>36,719,033</b>	<b>46,861,715</b>	
<b>SURPLUS/(DEFICIT)</b>	<b>4,919,252</b>	<b>58,333,301</b>		

The entity financial statements were approved on 30/09/2020 and signed by:



Administrator of the Fund  
Name: Paul Njenga



COUNTY GOVERNMENT OF LAIKIPIA  
P. O. Box 1271 - 10400,  
NANYUKI  
27 SEP 2020  
ASST. DIRECTOR FINANCIAL REPORTING  
FINANCE & ECONOMIC PLANNING  
AND COUNTY DEVELOPMENT  
Name: Florence Wang'echi  
ICPAK Member No: 24100

**LAIKIPIA COUNTY ASSETS LEASING FUND**  
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**For the year ended June 30, 2020**

**11.6. 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 2020**

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> 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 are covered purely under Public Sector combinations as amalgamations.

**b) ~~New and amended~~ standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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: <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss</li> </ul>

# LAIKIPIA COUNTY ASSETS LEASING FUND

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For the year ended June 30, 2020

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

**LAIKIPIA COUNTY ASSETS LEASING FUND**  
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**For the year ended June 30, 2020**

Standard	Effective date and impact:
	<p>Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>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.</p> <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>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**e) 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 2019/2020 was approved by the County Assembly on 5/11/2019. 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

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

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**For the year ended June 30, 2020**

conclude the final budget. Accordingly, the Fund recorded additional appropriations on the FY 2019/2020 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 11.5 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

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

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receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

#### ***Loans and receivables***

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

#### ***Held-to-maturity***

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

#### ***Impairment of financial assets***

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

- The debtors or 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

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

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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.

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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#### ***Contingent assets***

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

#### **10. Nature and purpose of reserves**

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

#### **11. Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **12. 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.

#### **13. 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.

#### **14. 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.

#### **15. Comparative figures**

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

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

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

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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#### **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.

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

The 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.

##### **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.

##### **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.

## **LAIKIPIA COUNTY ASSETS LEASING FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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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) 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.

#### **e) 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.

# LAIKIPIA COUNTY ASSETS LEASING FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 11.7. NOTES TO THE FINANCIAL STATEMENTS

#### 1. Transfers from County Government

Description	2019/2020
Transfers from County Executive-received	95,052,334
Transfers from County Executive-receivable	-
<b>Total</b>	<b>95,052,334</b>

*The Fund received its full allocation for the financial year.*

#### 2. Fund administration expenses

Description	2019/2020
Staff costs	-
Professional services costs	-
Administration fees	-
<b>Total</b>	<b>-</b>

*The Fund did not incur any expenses under this category*

#### 3. General expenses

Description	2019/2020
Fuel and oil costs	(4,000,000)
Bank Charges	(12,960)
Allowances	(2,715,200)
Rental costs	(76,852,588)
<b>Total</b>	<b>(83,580,748)</b>

*Rental costs include a payable of Kshs. 46,861,715 for FY 2019-2020*

#### 4. Finance costs

Description	2019/2020
Interest on Bank overdrafts	-
Interest on loans from banks	-
<b>Total</b>	<b>-</b>

*The Fund did not incur any expenses under this category*

#### 5. Cash and cash equivalents

Description	2019/2020
Leasing Fund ABSA Bank Account	49,529,766
<b>Total</b>	<b>49,529,766</b>

*These are the cash book reconciled balances*

#### 6. Receivables from non-exchange transactions

Description	2019/2020
Transfers from County Executive	-
Inter-entity transactions	8,803,535
<b>Total</b>	<b>8,803,535</b>

#### 7. Accounts Receivables from outstanding Imprest

Description	2019/2020
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## LAIKIPIA COUNTY ASSETS LEASING FUND

### Reports and Financial Statements

For the year ended June 30, 2020

Un-surrendered Imprest	-
<b>Total</b>	-

*This relates to cash advances issued to authorised public officers to facilitate activities within the County financed by this Fund. The Fund did not have outstanding Imprests at the close of the financial year.*

#### 8. Non-current Assets

Description	2019/2020
Acquisition of property, plant, equipment	-
Acquisition of intangible assets	-
<b>Total</b>	-

*The Fund did not acquire assets of this nature*

#### 9. Trade Payables

Description	2019/2020
Trade Creditors	(46,861,715)
<b>Total</b>	<b>(46,861,715)</b>

*These are amounts owed to suppliers who have delivered goods or rendered services*

#### 10. Changes in Accounts Receivables

Description	2019 - 2020
Accounts receivable settled during the year	-
Accounts receivable issued during the year	8,803,535
<b>Net changes in account receivables</b>	<b>(8,803,535)</b>

#### 11. Changes in Accounts Payables

Description	2019 - 2020
Account payables added during the year	-
Account payables settled during the year	-
<b>Net changes in accounts payables</b>	<b>6,552,334</b>

#### 12. Revenue Cash Inflows

Description	2019 - 2020
Transfers from the County Government	88,500,000

#### 13. Expenditure Cash Outflows

Description	2019 - 2020
General expenses	(36,719,033)
Acquisition of assets	-

#### 14. 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

## LAIKIPIA COUNTY ASSETS LEASING FUND

### Reports and Financial Statements

For the year ended June 30, 2020

include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

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

#### b) Related party transactions

Description	2019 - 2020
Transfers from related parties	95,052,334
Transfers to related parties	-

#### c) Key management remuneration

Description	2019 - 2020
Board of Trustees	-
Key Management Compensation	-

#### d) Due from related parties

Description	2019 - 2020
Due from County departments or entities	8,803,535
Due from County Government	-

#### e) Due to related parties

Description	2019 - 2020
Due to County departments or entities	-
Due to County Government	-
Due to Key management personnel	-

**LAIKIPIA COUNTY ASSETS LEASING FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

**12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S  
RECOMMENDATIONS**

The Fund does not have any prior auditor recommendations as it was newly established in the financial year 2019-2020

Paul Njenga

Administrator of the Fund

Sign: .....

Date: 30/09/2020

