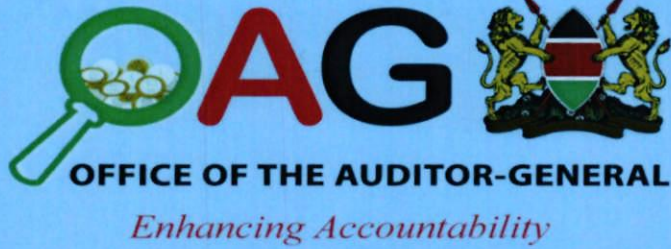
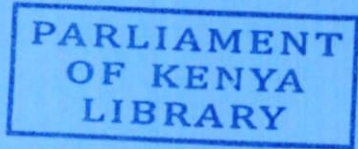


REPUBLIC OF KENYA

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**REPORT**



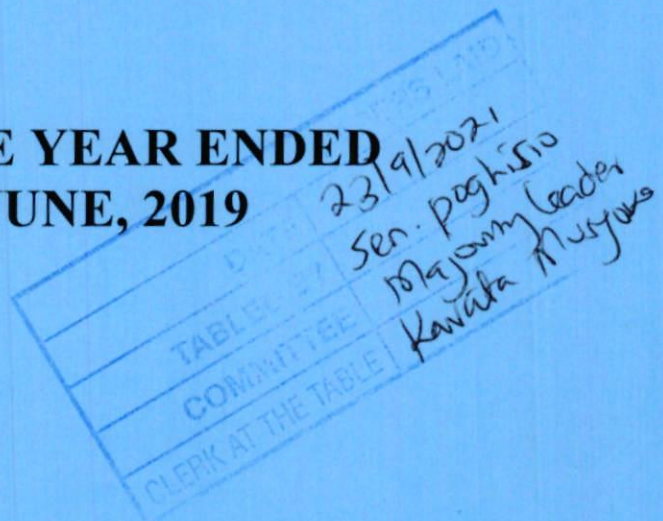
**OF**

**THE AUDITOR-GENERAL**

**ON**

**MOMBASA COUNTY CONSOLIDATED  
REVOLVING FUND**

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





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**MOMBASA COUNTY CONSOLIDATED REVOLVING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2019**

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

**MOMBASA COUNTY CONSOLIDATED REVOLVING FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2019**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

The Mombasa County Consolidated Revolving Fund is a fund established as per Mombasa County Consolidated Revolving Fund Act 2016. The fund is administered by Fund Manager, subject to the general directions of the funds by board of directors. Section 167 of the Public Finance Management (PFM) Act 2012 and derives its authority and accountability from a mandate the administrator of public funds with the preparation funds of annual financial statements.

For proper management of the Fund and as advised by the Act under the reference, Mombasa County adopted the PFM regulations 2014 to guide in the operationalization of the Fund. As advised by the board and as provided for under regulation 16 of the said regulations, the County Board of Trustees appointed a banking institution to manage the fund.

The Fund is under the management of financial institution, Faulu Bank Ltd. The role of the bank is to provide administration services for the fund. The fund has been internally administered in the County Government by the office of the Fund Manager.

The fund is wholly owned by the County Government of Mombasa and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity/mission/ mandate of the fund is to provide group loans to persons living with disabilities, women and youth groups with viable business initiatives

Vision

To be the county of choice in prudent management of revolving fund and business start-ups.

Mission

To be the leading County Government in provision of capital revolving fund for start-up business among the youth and people with disability in Kenya.

**Mombasa County Consolidated Revolving Fund  
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For the year ended June 30, 2019**

*Core Values*

*The Fund uphold the value of:*

*1. Accountability and Transparency*

*1. Excellency & Responsibility*

*2. Integrity & Responsibility*

*3. Equity & Team work*

**c) Board of Trustees/Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hasnain Meghji	Board Chairperson
2	Janet Ndanu Katisya	Board Member
3	Abdirahim Farrah	Board Member
4	James Seda	Alternate Board Member
5	Abdalla Abubakar Ahmed	Board Member
6	Asha Abdi	Board Member
7	Rev. Justus Kamau	Board Member
8	Joseph W. Kamau	Fund Administrator

*(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)*

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Joseph W. Kamau	Fund Administrator
2	Larry Sifa	Welfare Officer

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**e) Registered Offices**

3<sup>rd</sup> Floor, Betting & Licensing Building  
P.O. Box 9440 - 80100  
Mombasa, Kenya

**f) Fund Contacts**

E-mail: [info.mombasacount@gmail.com](mailto:info.mombasacount@gmail.com)

Website: [www.mombasacounty.go.ke](http://www.mombasacounty.go.ke)

**g) Fund Bankers**

1. Faulu Kenya Limited  
Kongowea  
P.O. Box 95258  
GPO 80100  
Nairobi, Kenya
2. Kenya Commercial Bank  
Treasury Square, Mombasa  
P.O. Box 90254-80100  
Mombasa, Kenya

**h) Independent Auditors**



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

**i) Principal Legal Adviser**

The County Attorney,  
Mombasa County,  
Governor's Office  
Mombasa, Kenya.

**Mombasa County Consolidated Revolving Fund  
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**2. THE BOARD OF TRUSTEES**

NAME	DETAILS OF QUALIFICATION AND EXPERIENCE
<p data-bbox="316 546 587 580">HASNAIN MEGHJI</p> 	<p data-bbox="754 546 1114 580"><b>Chair – Board of Trustees</b></p> <p data-bbox="754 611 1442 976">Mr Hasnain Meghji was appointed by H.E the Governor as the Board Chairman on 22<sup>nd</sup> January 2019 Mr Meghji who is an accomplished professional trained at the prestigious London School of Insurance brings to the board a wealthy of experience gained from managing private as well as public organisation for over 20 years.</p> <p data-bbox="754 1005 1453 1200">Mr Meghji is currently the Chief Executive Officer of Masumari Meghji Insurance Brokers. He is an excellent communicator, team player, result oriented and person of high integrity</p>
<p data-bbox="352 1234 552 1267">Mrs Asha Abdi</p> 	<p data-bbox="967 1234 1241 1267"><b>BOARD MEMBER</b></p> <p data-bbox="754 1294 1401 1384">Mrs. Asha Abdi holds bachelor's in economics, M.A(PPM)- Ongoing, Dip in international studies</p>

JANET KATISYA

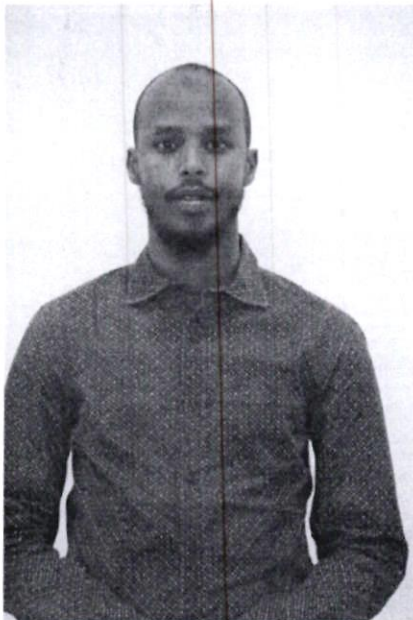


**BOARD MEMBER**

Janet Ndanu Katisya is a commercial lawyer, serial entrepreneur. Janet runs her own law firm that specializes in ADR, commercial and property law, J. Katisya and Associates. She has 15 years' experience as a lawyer in conveyance commercial transactions, mediation and arbitration. She was for 12 years a partner at Ndegwa, Katisya, Sitonik and Associates and Ndegwa, Muthama, Katisya and Associates.

She was the Secretary General of Mombasa Law Society for 4 years and has since served in various committees in the LSK and Mombasa Law Society. She was part of the Committee that developed the Legislative Drafting Handbook with Kenya Law Reform.



Farah Mohammed


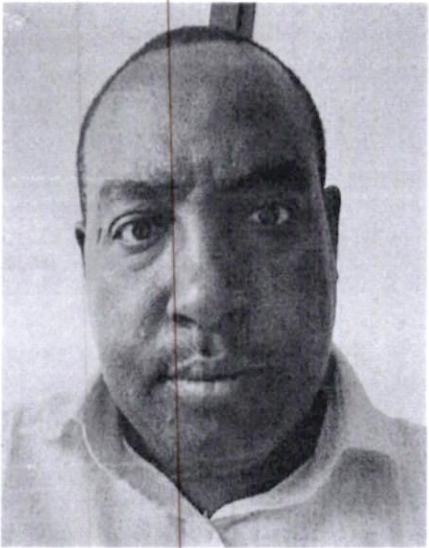


**BOARD MEMBER**

Mr. Farah Mohammed is a graduate from Moi university

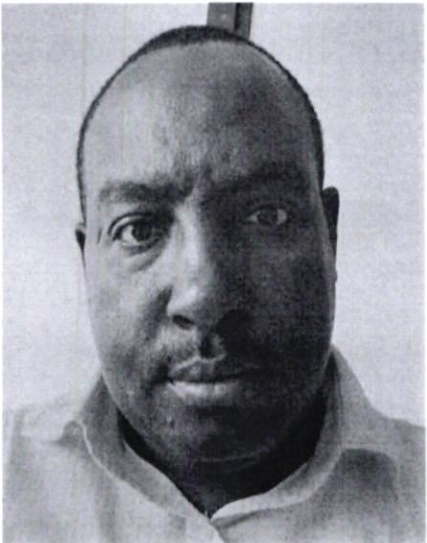
**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**


<p>James Seda</p> 	<p style="text-align: center;"><b>Alternate BOARD MEMBER</b></p> <p>Mr. Seda is an economist trained from the university of Nairobi. He has worked with the ministry of trade for 32 years. He was formerly the provincial director of trade, coast province before the devolution. Mr. Seda is trained on entrepreneurship and overseeing joint loan board a funding section of the department of trade. He has attended several courses locally and abroad on small and medium enterprise (SMEs). He has a wealth of knowledge on domestic and foreign trade.</p>
<p>ABDALLA ABUBAKAR AHMED</p> 	<p style="text-align: center;"><b>BOARD MEMBER</b></p> <p>Mr Abdalla Abubakar Ahmad holds a Diploma in Public Administration and a Certificate in Business management. He is well trained in business skills and ICT from Yaris Institute of Business and information studies. Further, Mr. Ahmad is a member of lottery international and organizing secretary of Muslim society of Kenya. Mr Ahmad will represent the interest of persons living with disability in the board.</p>

<p>REV. JUSTUS KIM</p>  <p>EU</p>	<p><b>BOARD MEMBER</b></p> <p>Revered Justus Kimeu is a graduate of Moi university. He is currently the general secretary JCC Churches. He is also the county overseer of Mombasa Churches. He is married and a person of high moral standards.</p>
 <p>JOSEPH W. KAMAU</p>	<p><b>FUND ADMINISTRATOR</b></p> <p>Joseph W. Kamau was appointed as the Fund Administrator on 18th April 2016. He has over 20 years' experience on community development matters and he has attended conferences and workshops on the same both at the local and international level. Mr Kamau holds a degree in Public Administration from Moi University. He also holds CPS 1 and attended Senior Management Course at the Kenya School of Government.</p>

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

**3. MANAGEMENT TEAM**

NAME	DETAILS OF QUALIFICATION AND EXPERIENCE
 <p><b>JOSEPH W. KAMAU</b></p>	<p style="text-align: center;"><b>FUND ADMINISTRATOR</b></p> <p>Joseph W. Kamau was appointed as the Fund Administrator on 18th April 2016. He has over 20 years' experience on community development matters and he has attended conferences and workshops on the same both at the local and international level. Mr Kamau holds a degree in Public Administration from Moi University. He also holds CPS 1 and attended Senior Management Course at the Kenya School of Government.</p>

Name	Details of qualifications and experience
<p>Larry Sifa</p> 	<p>Welfare Officer</p> <p>Larry Sifa is a graduate of Bachelor of Arts in social studies from Moi university. He has also undergone leadership development program and worked in Al-Nur Media Africa who publishers of Nairobi law monthly before joining county government of Mombasa in April 2018</p>

#### **4. BOARD/FUND CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the Board of Trustees, the Mombasa County Revolving Fund financial statements for the year ended 30<sup>th</sup> June 2019. 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. The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability.

##### **Board and Management Changes**

The board has noted in professional view that some recommendations from financial consultant key among them the automation of the fund's operations and the presentation of the Funds accounts in accrual basis as opposed to cash-based reporting. The organisation arrangement is expected to enhance efficiency in service delivery.

##### **Review of performance**

##### **Income**

No funds were received from the county government. The interest income from the bank amounted to Kshs11, 068.00

##### **Expenditures**

The total expenditures during the period amounted to Kshs. 345,292 out of which the administration expenses amounted to Kshs 321,600.

##### **Future outlook**

The year 2019/2020 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhances efficiency and effectiveness in the

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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service delivery. The fund looks forward to continued support from the county government, local and aspiring political leaders, with other development partners so that the Fund can realize its mandate.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the Mombasa County Government, stakeholders, management, staff and fellow Trustees for their continued support which made us execute our mandate in order to develop Mombasa County by processing loans and managing the Fund. I look forward for another fabulous and continued support in the financial year 2019/2020.

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

Mr Hasnain Meghji-

**Board Chairman.**

**5. REPORT OF THE FUND ADMINISTRATOR REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Mombasa County Revolving funds financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year from July 1<sup>st</sup>, 2018 to June 30<sup>th</sup>, 2019.

Since its inception, the Fund received a total amount of Kshs 60M. Since then, a total of 465 Groups have benefited, and the total borrowings amounting to Kshs.54m. Of this, Kshs1.7M had been paid and Kshs.53M was outstanding as at the reporting date.

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2019, the fund had projected revenues of Kshs. 24,025,000. Out of the projected revenue, the fund was able to realise Kshs 818,862 in actual collections, representing 3.5% performance. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue	Kshs	Kshs	
Public contributions and donations	0	0	0%
Transfers from County Govt.	19,000,000	11,068	0%
Interest income	2,500,000	0	0%
Fines, penalties and other levies	1,325,000	0	0%
Other income	1,200,000	0	0%
<b>Total Income</b>	<b>24,025,000</b>	<b>11,068</b>	<b>0%</b>

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



Joseph Kamau

## **6. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

The Mombasa County Loans Funds is a revolving fund established pursuant to the Mombasa County Revolving Fund Act 2016 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide loans to members of Self-Help Groups. 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 board of Trustees at its apex. The operations of the fund are governed by An Act made in 2016. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### **THE BOARD OF TRUSTEES**

The Act provides that the board of Trustees shall be made up of Seven Trustees, including the Chairman, and shall consist of a chairperson and six other members identified for appointment through a competitive process. The board of Trustees is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The board of Trustees exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of Trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to funding to self-help groups.

All members of the board of Trustees have been taken through a comprehensive induction programme and are adequately trained on their roles as board members. The Trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual Trustees and

the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

### **BOARD MEETINGS**

The board of Trustees meets monthly or as required in order to monitor the implementation of the fund's mandate. The Board of Trustees also approves all the loans to beneficiaries and disbursements.

### **AUDIT AND RISK COMMITTEE**

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of Trustees has decided to establish a finance, audit and loan monitoring committee. The committee to be established will advise the Board of Trustees on institutional risk management and compliance. The committee will be required to meet after every two months within a financial year. The committee will comprise of the Chairperson, secretary and other three members all of whom will have knowledge of financial process and legal knowledge. During each year's reports, the disclosure will be as set out below.

<b>S/No.</b>	<b>Name</b>	<b>Position in committee</b>	<b>Period Served</b>
1	Hasnain Meghji	chairman	4 months
2	Asha Abdi	Member	2 months
3	James Seda	Member	4 months
4	Joseph Kamau	Secretariat	4 months
5	Abdirahim Farah	member	4 months

## **STATEMENT OF COMPLIANCE**

The board of Trustees confirms that the fund has throughout the FY 2018/2019 complied with all statutory and regulatory requirements in disbursement of Loans and that the fund has been managed in accordance with the principles of good corporate governance.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **Internal Control**

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

### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained throughout its processes and performance. The fund has identified training needs and will initiate plans so that the staff will be trained, equipped and prepared so that they can implement the fund policies and functions.

### **Strategic Plan**

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives in the next financial year 2019/2020. The strategic plan will be evaluated quarterly to assess the achievement of those objectives. Progress against the plan will be monitored frequently.

### **Internal Control Framework**

The fund will continue to review its internal control framework to ensure it maintains a strong and effective internal control environment. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is to be approved by the audit and risk committee.

The audit and risk committee will consider significant control matter raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee will ensure that management takes appropriate action.

### **Risk Management**

The fund will put in place a risk committee and Management framework which will guide the fund in identifying, assessing and managing the risks. The risk register will have documents and prescribe mitigating measures of all the risks both external and internal facing the fund from now and in the long run. The risk management framework and register will be regularly reviewed to incorporate any emerging issues in the operating environment. The risk management will be coordinated by the head of Risk Management Committee, who will review all the risks in the fund and update the risk register and ensure that all new and emerging risks are appropriately evaluated, and any further actions identified. The identified risks will assist the board in the management of risks.

### **Management Team**

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

### **Auditor**

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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The fund is audited by the Auditor-General.

## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund had managed to recover loans funds from beneficiaries during the year and it's expected to grow over the coming years and the management has put measures in place to safeguard against risks. The fund's activities are exposed 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 has in place policies to ensure that credit is extended to youth, women and people living with disability groups with an established positive credit history.

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

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund earned revenues amounting to Kshs. 818,862 from the actual local collections during the financial year 2018/ 2019. The Income arising from bank interest amounted to Kshs. 11,068.

The Fund did not receive any disbursement from County Government during the financial year 2018/2019. The fund management is projecting increased support from the development partners as well so that its strategic plan, vision and mission for the year 2019/2020 can be realized with the strong support of the County Government.

#### **Cash flow**

The cash and cash equivalents increased from Kshs 1,091,848 as at 30 June 2018 to Kshs 1,837,756 as at 30 June 2019. There was repayment of funds from youth, Women groups and people living with disabilities.

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**OPERATIONAL PERFORMANCE**

The fund's core operating activity has been of offering business loans to organised Youth, Women groups and people living with disabilities within Mombasa County. The County Government has supported the fund.

**Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

During the year, the fund was under staffed and the Trustees have decided to review its organization structure that will see some staff being hired to steer the funds vision, mission, objective and strategies forward and grow its earning and portfolio thereby increasing efficiency and effectiveness to its services to its stakeholders.

During the FY 2018/2019, the fund will embark on enhanced stakeholder's sensitization awareness campaigns on security, HIV/AIDs, STI's Drug abuse and Misuse, Family values, gender & disability. The Trustees will contract a qualified firm to draft this policy manual which will be approved by the Board of Trustees before the second quarter of the financial year 2019/2020.

**Conclusion**

We appreciate the unrelenting support from the board of Trustees, management, staff, the County Government and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2019/2020.

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

The Fund did not undertake CSR activities during the year

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**9. REPORT OF THE TRUSTEES**

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

**Principal activities**

The principal activity/mission/ mandate of the fund is to provide group loans to persons living with disabilities, women and youth groups with viable business initiatives.

**Results**

The results of the Fund for the year ended June 30, 2019 are deficit of Kshs. **334,224** set out on page 31.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 5 (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

Previous members of the Board of Trustee

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Justus Nyarandi	Board Chairperson
2	Rajab Babu Idi	Board Member
3	Ramla Said	Board Member
4	Jonathan Nyongesa	Board Member

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**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

Chairperson

Date:

 27/9/2019

**Mombasa County Consolidated Revolving Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

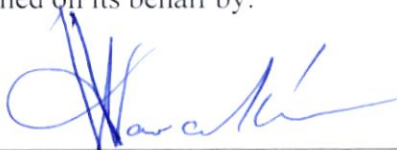
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

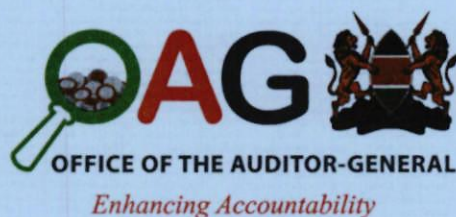
The Fund's financial statements were approved by the Board on 27/9/ 2019 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the Revolving Fund

# REPUBLIC OF KENYA

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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 MOMBASA COUNTY CONSOLIDATED REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mombasa County Consolidated Revolving Fund set out on pages 25 to 77, which comprise the statement of financial position as at 30 June, 2019, 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mombasa County Consolidated Revolving Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Mombasa County Consolidated Revolving Fund Act, 2016 and the Public Finance Management Act, 2012.

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

##### **1.0 Current Portion of Long-Term Receivables from Exchange Transactions**

As reported in 2017/2018, the statement of financial position as at 30 June, 2019 reflects long term receivables from exchange transactions of Kshs.53,401,132 (2017/2018 Kshs.54,219,994). The following anomalies were noted;

- 1.1 The balance of Kshs.53,401,132 as at 30 June, 2019 was not supported with a schedule indicating; name of loanee, date of issuance, amount issued, interest rate, interest charged, amount repaid and outstanding balance. As a result, it was

not possible to confirm the validity of accounts receivables balance of Kshs.53,401,132 as at 30 June, 2019.

- 1.2 The statement of cash flows for the year ended 30 June, 2019 indicates that Kshs.818,862 was received as proceeds from principal repayments, leaving a balance of Kshs.53,401,132 outstanding as at 30 June, 2019. Consequently, the recoverability of outstanding accounts receivable of Kshs.53,401,132 could not be confirmed.
- 1.3 There was also no evidence of any agreement between the Fund and the two financial institutions used for loans disbursements. Information was not provided on how the financial institutions were sourced, contrary to the public procurement laws.
- 1.4 As previously reported, records provided for audit verifications revealed that as at the end of the financial year, loans totaling Kshs.53,401,132 had been disbursed to various beneficiaries since inception of the Fund in the year 2016/2017. However, the audit verifications revealed that there was no policy in place on conditions for eligibility, vetting process, amount of loan, security, repayment period and applicable interest rates if any, among others. It was not clear how the loan beneficiaries applied and were vetted.

Consequently, the propriety, completeness, and recoverability of accounts receivables of Kshs.53,401,132 as at 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Mombasa County Consolidated Revolving Fund 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.

#### **Emphasis of Matter**

These financial statements are transitional statements from cash basis accounting framework to International Public Sector Accounting Standards (Accruals Basis). Therefore, the audit is cognizant of International Public Sector Accounting Standards (IPSAS) 33 (First time adoption of accrual basis) which grants the entity certain exemptions for fair presentation of the financial statements and its ability to assert compliance with accrual basis International Public Sector Accounting Standards for a period of at least 3 years before full compliance.

#### **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 other 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 matters described in the Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Qualified Opinion sections 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**

### **1.0 Inadequacy of the Enabling Legislation**

As previously reported, audit review of the Mombasa County Consolidated Revolving Fund Act, 2016 noted the following inconsistencies in the Act:

- i) The Act is silent on approval of budget estimates of the Fund, maintenance of the books of accounts and signatories to the Fund's bank accounts;
- ii) The Act also does not provide for the procedure for processing loans and establishment of vetting committees;
- iii) Contrary to Section 198 of Public Finance Management (County Governments) Regulations, 2015, the Act does not provide for the winding up procedure of the Fund.

In the circumstances, the enabling legislation was not consistent with Public Finance Management (County Governments) Regulations, 2015 for the year ended 30 June, 2019.

### **2.0 Lack of Approved Budget Estimates**

Audit verifications revealed that there was no evidence that the budget was approved by the County Treasury in line with Section 39(2) of the Public Finance Management (County Governments ) Regulations, 2015 which states that, "prior to incurring any expenditure, accounting officers shall seek the approval of the County Treasury, and if approval is granted by the County Executive Committee Member, it shall be communicated to the accounting officers through a notification which shall be copied to the Auditor-General and the Controller of Budget". Although the Management argue that the Fund's budget was included in the Department of Youth's budget as a programme, there was no evidence provided to confirm the Fund's budget was presented to the Chief Officer for review and inclusion. As a result, the Management may have incurred expenditure in violation of the laws.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else 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 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) and for such 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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to dissolve the Fund or to cease its 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 governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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 Mombasa County Consolidated Revolving Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**17 September, 2021**

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**12. FINANCIAL STATEMENTS**

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	1,000,000
Fines, penalties and other levies	3	-	-
		-	1,000,000
<b>Revenue from exchange transactions</b>			
Interest income	4	11,068	866
Other income	5		-
<b>Total revenue</b>		<b>11,068</b>	<b>1,000,866</b>
<b>Expenses</b>			
Fund administration expenses	6	321,600	552,311
General expenses	8	23,692	-
Finance costs	9		-
<b>Total expenses</b>		<b>345,292</b>	<b>552,311</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10		
<b>Surplus/(deficit) for the period</b>		<b>(334,224)</b>	<b>448,555</b>

The notes set out on pages 65 to 80 form an integral part of these Financial Statements

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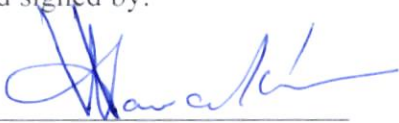
**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	1,837,756	1,091,518
Current portion of long-term receivables from exchange transactions	12	53,401,132	54,219,994
Prepayments	13	-	-
Inventories	14	-	-
		<b>55,238,888</b>	<b>55,311,512</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
		-	-
<b>Total assets</b>		<b>55,238,888</b>	<b>55,311,512</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations/Payable	20	261,600	-
		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>261,600</b>	<b>-</b>

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<b>Net assets</b>		<b>54,977,288</b>	<b>55,311,512</b>
Revolving Fund		54,000,000	54,000,000
Reserves		-	-
Accumulated surplus/ (deficit)		977,288	1,311,512
<b>Total net assets and liabilities</b>		<b>54,977,288</b>	<b>55,311,512</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/9/ 2019 and signed by:



Administrator of the Fund  
Name: Joseph W. Kamau



Fund Accountant  
Name: Joshua Rume  
ICPAK Member Number: 21152

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**12.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30  
JUNE 2019**

	Revolving Fund	Revaluat ion Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	35,000,000	-	862,957	35,862,957
Surplus/(deficit) for the period	-	-	448,555	448,555
Funds received during the year	19,000,000	-	-	19,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>54,000,000</b>	-	<b>1,311,512</b>	<b>55,311,512</b>
<b>Balance as at 1 July 2018</b>	<b>54,000,000</b>	-	<b>1,311,512</b>	<b>55,311,512</b>
Surplus/(deficit) for the period	-	-	(334,224)	(334,224)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>54,000,000</b>	-	<b>977,288</b>	<b>55,977,288</b>

(Provide details on the nature and purpose of reserves)

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	1,000,000
Interest received		11,068	866
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>11,068</b>	<b>1,000,866</b>
<b>Payments</b>			
Fund administration expenses		321,600	552,311
General expenses		-	-
Finance cost		23,692	-
<b>Total Payments</b>		<b>345,292</b>	<b>552,311</b>
<b>Net cash flows from operating activities</b>		<b>(334,224)</b>	<b>448,555</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(-)	(-)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		818,862	-
Loan disbursements paid out		(-)	(23,450,003)
<b>Net cash flows used in investing activities</b>		<b>818,862</b>	<b>(23,450,003)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	19,000,000

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Additional borrowings		261,600	-
Repayment of borrowings		(-)	(-)
<b>Net cash flows used in financing activities</b>		<b>261,600</b>	<b>(-)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>746,238</b>	<b>(4,001,448)</b>
Cash and cash equivalents at 1 JULY 2018	16	1,091,518	5,092,966
<b>Cash and cash equivalents at 30 JUNE 2019</b>	<b>16</b>	<b>1,837,756</b>	<b>1,091,518</b>

(The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Public contributions and donations	-	-	-	-	(-)	-
Transfers from County Govt.	19,000,000	-	19,000,000	-	19,000,000	0%
Interest income	-	-	-	11,068	(11,068)	0%
Other income	-	-	-	-	-	-
<b>Total income</b>	<b>19,000,000</b>	<b>-</b>	<b>19,000,000</b>	<b>11,068</b>	<b>18,988,932</b>	<b>0%</b>
<b>Expenses</b>						
Fund administration expenses	950,000	-	950,000	321,600	628,400	34%
Training & Capacity building	1,420,000	(-)	1,420,000	-	1,420,000	0%
Finance cost	100,000	(-)	100,000	23,692	76,308	24%
Disbursement across wards	11,571,000	-	11,571,000	-	11,571,000	0%
Special & Vulnerable groups	4,959,000	-	4,959,000	-	4,959,000	0%
<b>Total expenditure</b>	<b>19,000,000</b>	<b>(-)</b>	<b>19,000,000</b>	<b>345,292</b>	<b>18,654,708</b>	<b>1.8%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>(-)</b>	<b>-</b>	<b>(334,224)</b>	<b>334,224</b>	<b>-</b>

**12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Statement of compliance and basis of preparation**

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

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

**2. Adoption of new and revised standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

<b>Standard</b>	<b>Impact</b>
<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. No amalgamations have been done

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<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:

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Standard	Effective date and impact:
	<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 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>No investments in financial instruments</p>
<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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>(Not yet implemented)</p>

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on Mombasa. The fund adopted the county budget under the department of youth for the year 2018/2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded reduction of appropriations of (334,224) on the FY 2018/2019 budget following the governing body's approval.

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

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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 12.5 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**6. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

***Loans and receivables***

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

- The debtors or 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.

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

***Loans and borrowing***

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

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Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contingent assets*

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

**10. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. No reserves maintained and appropriate policies adopted by the Fund.

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

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

**12. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future

contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**13. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance. During the financial year 2018/2019, the fund did not borrow any funds for it relies on the transfer from county government of Mombasa.

**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 funds Administrator and fund Accountant. During the FY 2018/2019, there was no related parties' transaction.

**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 Faulu Bank and at Kenya 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 Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Mombasa.

**20. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Significant judgments and sources of estimation uncertainty**

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

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

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**22. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**a) Credit risk**

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

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

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

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**Credit risk Analysis**

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	53,401,132	-	54,219,994	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	1,837,756	-	1,091,518	
<b>Total</b>	<b>55,238,888</b>	<b>-</b>	<b>55,331,512</b>	
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	54,219,994	-	30,769,991	-
Bank balances	1,091,518	-	5,092,966	-
<b>Total</b>	<b>55,311,512</b>	<b>-</b>	<b>35,862,957</b>	<b>-0</b>

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**b) Liquidity risk management**

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	261,600	-	261,600
<b>Total</b>	-	<b>261,600</b>	-	<b>261,600</b>
<b>At 30 June 2018</b>				

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Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

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		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2019</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

		<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2019</b>				
Euro		10%	-	-
USD		10%	-	-
<b>2018</b>				
Euro		10%	-	-
USD		10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The 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.

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*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.

Currently, the fund has no interest exposure.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

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

	<b>2019</b>	<b>2018</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve	-	-
Revolving fund	-	19,000,000
Accumulated surplus	977,288	448,555
<b>Total funds</b>	<b>977,288</b>	<b>19,448,555</b>
Total borrowings	-	-
Less: cash and bank balances	(1,837,756)	(1,091,518)
Net debt/(excess cash and cash equivalents)	(860,468)	18,357,037
<b>Gearing</b>		<b>94%</b>

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

2. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	-	1,000,000
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>1,000,000</b>

3. Fines, penalties and other levies

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

4. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	-	-

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Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	11,068	866
<b>Total interest income</b>	<b>11,068</b>	<b>866</b>

(Provide brief explanation for this revenue)

**5. Other income**

Description	2018/2019	2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		
<b>Total other income</b>	<b>-</b>	<b>-</b>

**6. Fund administration expenses**

Description	2018/2019	2017/2018
	KShs	KShs
Staff costs (Note 7)	-	526,981
Loan processing costs	-	-
Professional services costs	-	25,000
Administration fees	321,600	330
<b>Total</b>	<b>321,600</b>	<b>552,311</b>

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**7. Staff costs**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	526,981
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	<b>526,981</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	23,692	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	<b>23,692</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2018/2019	2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

10. Gain/(loss) on disposal of assets

Description	2018/2019	2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

11. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
KCB BANK A/C 1211697762	1,574,465	804,860
KCB BANK A/C 1210798255	171,283	126,604
FAULU BANK A/C 1003584597	92,008	160,384
KCB BANK A/C 1211698025	-	(330)
Others	-	-
<b>Total cash and cash equivalents</b>	<b>1,837,756</b>	<b>1,091,518</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

		2018/2019	2017/2018
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc.		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc.		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1211697762/1210798255	<b>1,745,748</b>	931,134
Faulu Bank		92,008	160,384
<b>Sub- total</b>		<b>1,837,756</b>	<b>1,091,518</b>
<b>d) Others(specify)</b>		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>1,837,756</b>	<b>1,091,518</b>

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**12. Receivables from exchange transactions**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	53,401,132	54,219,994
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
<b>Total Current receivables</b>	<b>53,401,132</b>	<b>54,219,994</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non- current receivables</b>	<b>-</b>	<b>-</b>
<b>Total receivables from exchange transactions</b>	<b>53,401,132</b>	<b>54,219,994</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	2018/2019	2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
<b>Total</b>	-	-

14. Inventories

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2017</b>					
Additions					
Disposals					
Transfers/adjustments					
<b>At 30<sup>th</sup> June 2018</b>					
<b>At 1<sup>st</sup> July 2018</b>					
Additions					
Disposals					
Transfer/adjustments					
<b>At 30<sup>th</sup> June 2019</b>					
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2017					
Depreciation					
Impairment					

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At 30 <sup>th</sup> June 2018							
At 1 <sup>st</sup> July 2018							
Depreciation							
Disposals							
Impairment							
Transfer/adjustment							
At 30 <sup>th</sup> June 2019							
Net book values							
At 30 <sup>th</sup> June 2018							
At 30 <sup>th</sup> June 2019							

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2018/2019	2017/2018
	KShs	KShs
<b>Cost</b>		
At beginning of the year		
Additions		
At end of the year		
<b>Amortization and impairment</b>		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
<b>NBV</b>		

17. Trade and other payables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables		
<b>Total trade and other payables</b>		

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**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non -current provisions				
<b>Balance at the end of the year (30.06.2019)</b>				

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Borrowings**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Balance at beginning of the period</b>		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestics borrowings during the period		
<b>Balance at end of the period</b>		

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

	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>External Borrowings</b>		
Dollar denominated loan		
Sterling Pound denominated loan		
Euro denominated loan		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
<b>Total balance at end of the year</b>		

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

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Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
<b>Total</b>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation			261,600	261,600
Non-current benefit obligation				
<b>Total employee benefits obligation</b>				

21. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in payables		
<b>Net cash flow from operating activities</b>		

**22. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government Mombasa;
- b) Key management Personnel;
- c) Board of Trustees; etc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees		
Key Management Compensation		
<b>Total</b>		

d) Due from related parties

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry		
Due from County Government		
<b>Total</b>		

e) Due to related parties

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		

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<b>Total</b>		
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**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Court case against the Fund		
Bank guarantees		
<b>Total</b>		

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**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1. (a)	Inadequacy of the Enabling Legislation	The Act is ready been view	Hasnain Megji- Chairperson	It is being reviewed	2019/2020
(b)	Lack of Approved Budget Estimates	Revolving Funds was budgeted as a programme under the Department of Youth & Gender.	Fund Administrator	It is being reviewed	2019/2020
2.	Lack of Audit Committee	Mombasa County Consolidated Revolving	Board of Trustees	It is being reviewed	2019/2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Fund have established an audit committee in line with Section 167(1) of the Public Finance Management Regulations (County Government).			

**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;

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- 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.

