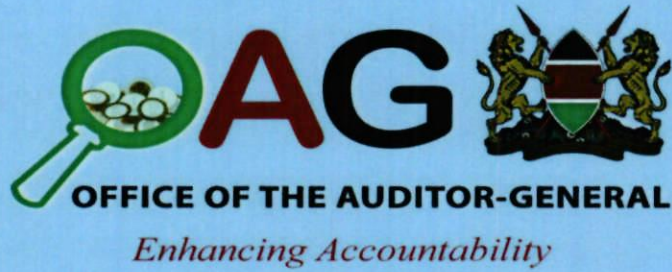


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**REPORT**

**OF**

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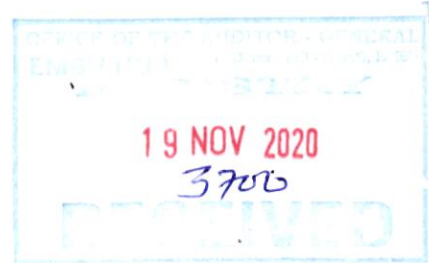
**THE AUDITOR-GENERAL**

**ON**

**MARSABIT COUNTY STATE OFFICERS AND  
OTHER PUBLIC OFFICERS CAR LOAN  
SCHEME FUND**

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





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**MARSABIT COUNTY STATE OFFICERS AND OTHER PUBLIC  
OFFICERS CAR LOAN SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

---

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

**Marsabit County State Officers and other Public Officers Car Loan Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management Act of 2012 on 19<sup>th</sup> November 2015. The Fund is wholly owned by the County Government of Marsabit and is domiciled in Kenya.

The fund's objective is to provide a mortgage scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

The Fund's principal activity is to provide affordable credit facilities to state officers and other public officers to enable them develop or renovate and own residential properties.

**b) Principal Activities**

c) The Fund's principal activity is to provide affordable credit facilities to state officers and other public officers to enable them develop or renovate and own residential properties.

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

Ref	Name	Position
1	Abdulahi Barako Kuli	Chairperson
2	Hassan Mohamed Galgalo	Member
3	Galm Waqo Guyo	Secretary
4	Sora Jillo Danso	Member
5	Guyo Malicha Ali	Member

**e) Key Management**

Ref	Name	Position
1	Abdulahi Barako Kuli	Chief Officer-Finance
2	Galm Waqo Guyo	Chief Finance Officer
3		
4		
5		

**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**f) Registered Offices**

P.O. Box 364-60500  
Marsabit County Headquarters  
Marsabit-Isiolo Highway  
Nairobi, KENYA

**g) Fund Contacts**

Telephone: (254) 0716485121  
E-mail: [info@treasury.marsabit.go.ke](mailto:info@treasury.marsabit.go.ke)  
Website: [www.marsabit.go.ke](http://www.marsabit.go.ke)

**h) Fund Bankers**

Equity Bank  
Marsabit,  
Nairobi, Kenya

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

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



**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2020**

**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
1. Insert each key Manager's passport-size photo and name,	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details
2. Manager 2	
3. Manager 3	
4. Manager 4	
5. Etc.	
<i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i>	

**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**5. BOARD/FUND CHAIRPERSON'S REPORT**

It is my pleasure, on behalf of the Loan Management Committee to present the financial statements for Marsabit county State Officers and Other Public Officers Car Loan Scheme fund for the year ending June 30, 2020.

The fund has been in existence since November 2015. As a revolving fund, a total of Kshs 46 Million has been managed in the last 5 years.

The fund managed to raise Kshs 398,432 as interest income during the financial year under review. This is a decline of 12 per cent of the interest revenue collected in the previous financial year. This was mainly due non-servicing of loan facility by some creditors.

Through the financial year, there has been significant cash flow disruption, since a significant percentage of our beneficiaries have not been servicing their credit facilities on a regular basis.

I take this opportunity to thank the Management Committee members and staff of the car loan fund who have ensured that this fund achieves its purpose.



.....  
Board chair  
Abdullahi Barako Kuli

**6. REPORT OF THE FUND ADMINISTRATOR**

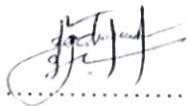
I am pleased to present the financial statements for the Marsabit County State Officers and Other Public Officers Car Loan Scheme fund for the year ending June 30, 2020.

The County car loan fund is a revolving fund that started in November 2015, with an initial amount of Kshs 26 Million. The purpose of the fund is to facilitate beneficiaries to purchase motor vehicles either for personal use.

During this financial year the fund's closing bank balance amounted to Kshs 10,793,738 with an asset portfolio of Kshs 33,246,868. The fund generated interest income of Kshs 398,432 which was less than previous financial year's performance by Kshs 54,547. This was caused by some beneficiaries not servicing their credit facilities on a regular basis.

Going forward, the fund's Management Committee intends to get into a partnership with a Credit Reference Bureau and contract a debt collector for the purpose of following up defaulters.

To all the staff of the fund, I am grateful for the successful year you have made it possible and I look forward to more progress.



.....  
Fund Administrator  
CPA Galm Waqo Guyo

**7. CORPORATE GOVERNANCE STATEMENT**

Two-to-three pages

*(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.)*

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

Two- three pages

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

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

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

Two-to-three pages

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

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

*XXX exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on XXX pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar*

**1. Sustainability strategy and profile -**

*The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.*

**2. Environmental performance**

*Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.*

**3. Employee welfare**

*Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).*

**4. Market place practices-**

*The organisation should outline its efforts to:*

*a) Responsible competition practice.*

*Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors*

*b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.*

*c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices*

*d) Product stewardship- outline efforts to safeguard consumer rights and interests*

**5. Community Engagements-**

**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

---

*Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community*

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

**Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

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**10. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are *(continue to be)* ....

**Results**

The results of the Fund for the year ended June 30, 2020 are set out on page ....

**Trustees**

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

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

XXX

Member of the Board

Date: \_\_\_\_\_

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Section 116 of Public Finance Management Act, 2012 and Public Finance Management (Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund) Regulations, 2015, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

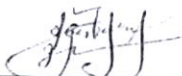
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 116 of Public Finance Management Act, 2012 and Public Finance Management (Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund) Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The Fund's financial statements were approved by the Board on 25<sup>th</sup> 5/20 2020 and signed on its behalf by: CPA Cynthia W. K. O.

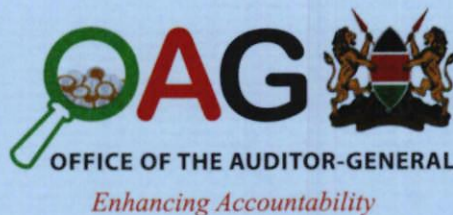
ICP/BE/REGISTRATION NO. 18333



\_\_\_\_\_  
Administrator of the County Public 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 MARSABIT COUNTY STATE OFFICERS AND OTHER PUBLIC OFFICERS CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund set out on pages 16 to 50, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actuals 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, because of the significance of the matters discussed in the Basis of Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis ) and do not comply with the Public Finance Management Act, 2012 and the Public Finance Management (Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund) Regulations, 2015.

#### **Basis for Adverse Opinion**

##### **1.0 Lack of Trial Balance**

The Fund's Management did not provide a trial balance for audit review. It was therefore not possible to ascertain the validity of the balances in the financial statements for the year ended 30 June, 2020.

Consequently, the accuracy of the financial statements for the year under review could not be ascertained.

## **2.0 Accuracy of the Financial Statements**

### **2.1 Comparative Balances**

The Fund's financial statements for the year under review reflects nil balance in respect to general expenses comparative balance for 2018/2019. However, the 2018/2019 financial statements reflect Kshs.3,190 resulting to an unexplained variance of the same amount.

In view of the foregoing, the accuracy of the nil balance on general expenses comparative balance for the year ended 30 June, 2020 could not be confirmed.

### **2.2 Accuracy of the Notes to the Financial Statements**

The statement of financial position for the year ended 30 June, 2020 reflects Kshs.22,407,931 and Kshs.27,704,445 in respect to long term receivables from exchange transactions for the year under review and the comparative balance for 2018/2019. However, Note 12 to the financial statements reflects Kshs.45,871 and Kshs.267,595 in respect to same items respectively resulting to unexplained variances of Kshs.22,362,060 and Kshs.27,436,850 on the two items respectively.

In view of the foregoing, the accuracy the financial statements for the year ended 30 June, 2020 could not confirmed.

### **3.0 Statement of Financial Position- Unsupported Balances**

The statement of financial position as at 30 June, 2020 reflects Kshs.45,871 and Kshs.673 both totaling to Kshs.46,544 in respect to current portion of long-term receivables from exchange transactions and trade and other payables from exchange transactions respectively. However, supporting documents including ledgers and schedules were not provided for audit verification.

In the circumstances, the accuracy of the Kshs.46,544 balances in the statement of financial position as at 30 June, 2019 could not be confirmed.

### **4.0 Long Term Receivables from Exchange Transactions - Outstanding Loans**

The statement of financial position reflects Kshs.22,407,931 in respect to long term receivables from exchange transactions which include Kshs.12,240,297 in respect to outstanding loan from eight (8) former members for County Executive Committee Members (CECs) as follows:

<b>Designation</b>	<b>Loan balance as at June, 2020 (Kshs)</b>
Former CECM - Roads, Public Works and Housing	1,021,810
Former CECM - Lands and Urban Development	1,529,104
Former CECM - Water and Environment	1,514,104
Former CECM - Agriculture, Livestock and Fisheries	1,545,241

<b>Designation</b>	<b>Loan balance as at June, 2020 (Kshs)</b>
Former CECM - Heath services	1,575,958
Former CECM - Trade, Co-operatives and Enterprise Development	1,704,416
Former County Secretary	1,565,252
Former CECM - Administration and ICT	1,784,412
<b>Totals</b>	<b>12,240,297</b>

However, the contract for the eight members ended before the same cleared the Kshs.12,940,297 loan contrary to Salaries and Remunerations Commission circular No. SRC/CGOVT/3/61 of 30 September, 2014 which stipulates that the loan to CECs is repayable within the term of their contract of work. In addition, the loan has been outstanding since July 2018 and a review of the personal files for the eight (8) members revealed that the Fund had not issued demand letters or instituted legal measures to recover the overdue loans.

In the circumstances, the recoverability of Kshs.12,240,297 could not be ascertained.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1.0 Budgetary Control and performance**

#### **1.1 Budget Analysis**

The statement of comparison of budget and actuals amounts reflects actual receipts of Kshs.398,432 and a nil expenditure balance resulting to an under absorption of Kshs.398,432.

The under absorption of Kshs.398,432 is equivalent to services planned for but not delivered to the beneficiaries of the Fund.

## **1.2 Unbalanced Budget**

The statement of comparison of budget and actuals amounts reflects Kshs.398,432 and a nil balance in respect to approved receipts and expenditure budgets respectively resulting to Kshs.398,432 budgeted receipts without corresponding budgeted expenditure contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriation shall be balanced.

Consequently, the Fund's Management is in breach of the law.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis of Conclusion**

#### **1.0 Unsecured Loans**

The statement of financial position reflects Kshs.22,407,931 in respect to long term receivables from exchange transactions which includes Kshs.17,093,273 in respect to long term repayment due from fourteen (14) members as at 30 June, 2020. However, review of the loan records revealed that crucial loan security documents that ought to have been with the Fund namely the original jointly owned logbooks, supplier invoices, sale agreements, copies of insurance policies, valuation reports were not in the custody of the officer administering the Fund contrary to Regulation 9(2) of the Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund, Regulations 2015 which stipulates that the log-book of the vehicle acquired with a loan from the Fund, shall be issued jointly between the Committee and the member of the Scheme (loanee) and shall be kept in the custody of the Officer administering the Fund until the loan is repaid in full by the loanee of the Scheme or his or her guarantor and Regulation 13 (1) which stipulates that a member of the Scheme shall comprehensively insure any vehicle purchased through the scheme with an approved insurer by the Committee.

In the circumstances, the Fund's Management was in breach of the law and the Fund is at risk of losing the receivables of Kshs.17,093,273 in case of default by members.

#### **2.0 Presentation of the Financial Statements**

The financial statements for the year under review contains various anomalies which are not in line with the template issued in June, 2020 by the Public Sector Accounting Standards Board (PSASB) as shown:

Pages	Details	Remarks
2	Background Information	<ul style="list-style-type: none"> <li>The name of the Fund is stated as Marsabit county state officers and other public officers mortgage scheme fund instead of Marsabit County State Officers and Other Public Officers Car Loan Scheme Fund.</li> <li>The objectives and principal activities of the Fund are stated as to provide mortgage scheme for the purchase, development, renovation or repair of residential property by members of the scheme instead of the Fund is to provide a loan scheme for the purchase of vehicle by members of the scheme.</li> </ul>
3	Independent Auditors	The name of the independent auditor is indicated as Kenya National Audit Office instead of Office of the Auditor-General.
4 and 6	Board of Trustees and Management Team	Names, passport size photo and key academic and professional qualification are missing in the financial statements.
5	Statement of Performance against County Entity's predetermined objectives	The Fund did not report on the achievements it has met, the objectives that are yet to be met, challenges and opportunities of the Fund in implementation of its program plan
9	Corporate Governance Statement	Boarding meeting held, Board charter, appointment role and function of Board are missing in the financial statements
10	Management Discussion and Analysis	Report on operation and financial performance during the year, key entity's projects/ investment are missing in the financial statements
11	Corporate Social Responsibility Statement	Details of Corporate Social Responsibility carried out during the year and the impact to the society is missing in the financial statements
13	Report of the Trustees	<ul style="list-style-type: none"> <li>Principal activities, results and trustees are missing from the annual report.</li> </ul>

		<ul style="list-style-type: none"> <li>• Report not signed by a member of the Board.</li> <li>• Report not dated.</li> </ul>
50	Progress on follow up of previous year auditor's recommendation	The report in the financial statements is blank
Various pages	Statement of financial position, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts	Not paginated
Not paginated	Statement of financial position-Cash and cash equivalent Note 10	Actual note to the financial statements is Note 11
Not paginated	Statement of financial position- Note 11,18 and 19 are repeated twice and therefore assigned to different items	Each note should be assigned to one item only.
Not paginated	The statement of changes in net asset reads "as at" 30 June 2020	The statement of changes in net asset should reads "for the year ended" as per International Public Sector Accounting Standard (IPSAS) 1 on presentation of financial statements.
Not paginated	The statement of comparison of budget and actual amounts reads " for the period ended 30 June 2020"	The statement of comparison of budget and actual amounts should reads "for year ended 30 June, 2020".
Various Pages	Various statements at pages 5,11,13,25,30 - 35 and 42 - 49 contains 'xxx' in the body of the report	The reporting template is not customized to capture the right entity's information.
Various Pages	Note 12,13,14,15,16 and 17 in the statement of financial position are assigned prepayments, inventories, property plant and equipment, intangible assets, trade and other payable from exchange transactions and provisions respectively	Note 12,13,14,15,16 and 17 in the actual notes to the financial statements reads receivables from exchange transactions, revenue from non-exchange transactions, prepayments, inventories, property plant and equipment and intangible assets - software respectively.

Consequently, the Fund's financial statements are not prepared in accordance with the PSASB prescribed reporting format.

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of 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 offering 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 offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 February, 2022**

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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	xxx	xxx
Transfers from the County Government	2	xxx	xxx
Fines, penalties and other levies	3	xxx	xxx
		xxx	xxx
<b>Revenue from exchange transactions</b>			
Interest income	4	398,432	452,979
Other income	5		
<b>Total revenue</b>		<b>398,432</b>	<b>452,979</b>
<b>Expenses</b>			
Fund administration expenses	6		
General expenses	7	-	-
Finance costs	8	-	-
<b>Total expenses</b>		<b>-</b>	<b>-</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/( deficit) for the period</b>		<b>398,432</b>	<b>452,979</b>

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

**Marsabit County State Officers and other Public Officers Car Loan Scheme Fund**  
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**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	10,793,738	4,876,395
Current portion of long- term receivables from exchange transactions	11	45,871	267,595
Prepayments	12		
Inventories	13		
		<b>10,839,609</b>	<b>5,143,990</b>
<b>Non-current assets</b>			
Property, plant and equipment	14		
Intangible assets	15		
Long term receivables from exchange transactions	11	22,407,931	27,704,445
		<b>22,407,931</b>	<b>27,704,445</b>
<b>Total assets</b>		<b>33,247,541</b>	<b>32,848,435</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	673	-
Provisions	17		
Current portion of borrowings	18		
Employee benefit obligations	19		
		<b>673</b>	<b>-</b>
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19		
Long term portion of borrowings	18		
<b>Total liabilities</b>		<b>673</b>	<b>-</b>
<b>Net assets</b>		<b>33,246,868</b>	<b>32,848,435</b>
Revolving Fund		34,000,000	34,000,000
Reserves		-	-
Accumulated surplus		-753,132	-1,151,564
<b>Total net assets and liabilities</b>		<b>33,246,868</b>	<b>32,848,436</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 25<sup>th</sup> Sept 2020 and signed by:



Administrator of the Fund

Name: C/A Gabriel Wago  
ICPAK Member no 18333



Fund Accountant

Name:

ICPAK Member Number:

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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2018</b>	46,000,000	-	-1,601,353	44,398,647
Surplus/(deficit) for the period	-	-	449,789	449,789
Funds received during the year	-12,000,000	-	-	-12,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	34,000,000	-	-1,151,564	32,848,436
<b>Balance as at 1 July 2019</b>	34,000,000	-	-1,151,564	32,848,436
Surplus/(deficit) for the period	-	-	398,432	398,432
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	34,000,000	-	-753,132	33,246,868

**(Provide details on the nature and purpose of reserves)**

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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		398,432	452,979
Receipts from other operating activities			
<b>Total Receipts</b>		398,432	452,979
<b>Payments</b>			
Fund administration expenses			
General expenses		-	3,190
Finance cost			
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	221,724	-87,908
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	673	
<b>Net cash flows from operating activities</b>		<b>620,829</b>	<b>361,881</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		5,296,514	4,482,985
Loan disbursements paid out		-	-7,820,000
<b>Net cash flows used in investing activities</b>		<b>5,296,514</b>	<b>-3,337,015</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			-12,000,000
Additional borrowings			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>			<b>-12,000,000</b>

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<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,917,343</b>	<b>-14,975,135</b>
Cash and cash equivalents at 1 JULY	15	<b>4,876,395</b>	<b>19,851,530</b>
<b>Cash and cash equivalents at 30 JUNE</b>	15	<b>10,793,738</b>	<b>4,876,396</b>

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	KSh:	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	398,432	-	398,432	398,432	-	100%
Other income	-	-	-	-	-	-
<b>Total income</b>	<b>398,432</b>	<b>-</b>	<b>398,432</b>	<b>398,432</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses						
General expenses	-	-	-	-	-	-
Finance cost						
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Surplus for the period</b>	<b>398,432</b>	<b>-</b>	<b>398,432</b>	<b>398,432</b>		<b>100%</b>

**Budget notes**

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

### 13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

##### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>(State the impact of the standard to the entity if relevant)</i>

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

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></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><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and</li> </ul>

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Standard	Effective date and impact:
	<p>Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**c) Early adoption of standards**

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

**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 2019/2020 was approved by the County Assembly on xxxx. 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 additional appropriations of xxxxx on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx 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 a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### ***Financial liabilities***

#### ***Initial recognition and measurement***

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

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

#### ***Loans and borrowing***

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

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

**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.

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

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

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

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

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**13. Foreign currency transactions**

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

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

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**15. Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**16. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imposts 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 xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

**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 xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

**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:

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

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

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

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

The entity has significant concentration of credit risk on amounts due from xxx

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

**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	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 2018</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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**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:

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

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

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

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2020</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
<b>2019</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

**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.

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

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

**d) Capital risk management**

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	xxx	xxx
Revolving fund	xxx	xxx
Accumulated surplus	xxx	xxx
<b>Total funds</b>	<b>xxx</b>	<b>xxx</b>
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	xxx	xxx
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Provide brief explanation for this revenue)

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	398,432	452,979
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	<b>398,432</b>	<b>452,979</b>

(Provide brief explanation for this revenue)

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**5. Other income**

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

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

**6. Fund administration expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
<b>Total</b>	-	-

**7. Staff costs**

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-

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

**8. General expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Marsabit Car loan account	10,793,738	4,876,395
Marsabit County mortgage account		
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
<b>Total cash and cash equivalents</b>	<b>10,793,738</b>	<b>4,876,395</b>

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

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

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

Financial institution	Account number	2019/2020	2018/2019
		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		10,793,738	4,876,395
<b>Sub- total</b>		<b>10,793,738</b>	<b>4,876,395</b>
<b>c) Current account</b>			
Kenya Commercial bank		-	-
Bank B		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>10,793,738</b>	<b>4,876,395</b>

**12. Receivables from exchange transactions**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	45,871	267,595
Less: impairment allowance	-	-
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	45,871	267,595
<b>Total Non- current receivables</b>	<b>45,871</b>	<b>267,595</b>
<b>Total receivables from exchange transactions</b>	<b>45,871</b>	<b>267,595</b>

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**Additional disclosure on interest receivable**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years	Xxx	Xxx
Accrued interest receivable from of long-term loans of previous years	Xxx	Xxx
Interest receivable from current portion of long-term loans issued in the current year	Xxx	Xxx
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	Xxx	Xxx
Accrued principal from long-terms loans from previous periods	Xxx	Xxx
Current portion of long-term loans issued in the current year	Xxx	Xxx

13. Revenue from Non-Exchange transaction

	<b>KShs</b>	<b>KShs</b>
<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Transfer to County Executive	Xxx	xxx
Transfer to XXXX Fund	Xxx	xxx
<b>Total receivables from non-exchange transactions</b>	<b>xxx</b>	<b>xxx</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	xxx	xxx
Prepaid insurance	xxx	xxx
Prepaid electricity costs	xxx	xxx
Other prepayments(specify)	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	xxx	xxx
Spare parts and meters	xxx	xxx
Catering	xxx	xxx
Other inventories(specify)	xxx	xxx
<b>Total inventories at the lower of cost and net realizable value</b>	<b>xxx</b>	<b>xxx</b>

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

**16. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 <sup>st</sup> July 2018	xxx	Xxx	xxx	xxx	xxx
Additions	xxx	Xxx	xxx	-	xxx
Disposals	(xxx)	(xxx)	-	-	(xxx)
Transfers/adjustments	xxx	(xxx)	xxx	(xxx)	(xxx)
At 30 <sup>th</sup> June 2019	xxx	Xxx	xxx	xxx	xxx
At 1 <sup>st</sup> July 2019					
Additions	xxx	Xxx	xxx	-	xxx
Disposals	(xxx)	-	-	-	(xxx)
Transfer/adjustments	(xxx)	Xxx	xxx	(xxx)	(xxx)
At 30 <sup>th</sup> June 2020	xxx	Xxx	xxx	xxx	xxx
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2018	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Depreciation	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Impairment	(xxx)	-	-	-	(xxx)
At 30 <sup>th</sup> June 2019	xxx	xxx	xxx	xxx	xxx
At 1 <sup>st</sup> July 2019					
Depreciation	(xxx)	(xxx)	(xxx)	-	(xxx)
Disposals	xxx	-	-	-	xxx
Impairment	(xxx)	(xxx)	-	-	(xxx)
Transfer/adjustment	xxx	(xxx)	(xxx)	xxx	xxx
At 30 <sup>th</sup> June 2020	xxx	xxx	xxx	xxx	xxx
<b>Net book values</b>					
At 30 <sup>th</sup> June 2019	xxx	xxx	xxx	xxx	xxx
At 30 <sup>th</sup> June 2020	xxx	xxx	xxx	xxx	xxx

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

**17. Intangible assets-software**

Description	2019/2020		2018/2019	
	KShs		KShs	
<b>Cost</b>				
At beginning of the year		xxx		xxx
Additions		xxx		xxx
At end of the year		xxx		xxx
<b>Amortization and impairment</b>				
At beginning of the year		xxx		xxx
Amortization		xxx		xxx
At end of the year		xxx		xxx
Impairment loss		xxx		xxx
At end of the year		xxx		xxx
NBV		xxx		xxx

**18. Trade and other payables from exchange transactions**

Description	2019/2020		2018/2019	
	KShs		KShs	
Trade payables		xxx		xxx
Refundable deposits		xxx		xxx
Accrued expenses		xxx		xxx
Other payables		xxx		xxx
<b>Total trade and other payables</b>		xxx		xxx

**19. Provisions**

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

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

**20. Borrowings**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Balance at beginning of the period</b>	xxx	xxx
External borrowings during the year	xxx	xxx
Domestic borrowings during the year	xxx	xxx
Repayments of external borrowings during the period	(xxx)	(xxx)
Repayments of domestics borrowings during the period	(xxx)	(xxx)
<b>Balance at end of the period</b>	<b>xxx</b>	<b>xxx</b>

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

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	xxx	xxx
Sterling Pound denominated loan from 'yyy organisation'	xxx	xxx
Euro denominated loan from zzz organisation'	xxx	xxx
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	xxx	xxx
Kenya Shilling loan from Barclays Bank	xxx	xxx
Kenya Shilling loan from Consolidated Bank	xxx	xxx
Borrowings from other government institutions	xxx	xxx
<b>Total balance at end of the year</b>	<b>xxx</b>	<b>xxx</b>

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

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings(current portion)	xxx	xxx
Long term borrowings	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

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

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

**21. CHANGES IN RECEIVABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 <sup>st</sup> July 2019 (A)	xxx	xxx
Account receivable issued during the year (B)	xxx	xxx
Account receivable settled during the Year (C)	xxx	xxx
Net changes in account receivables D= A+B-C	xxx	xxx

**22. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 <sup>st</sup> July 2019 (A)	xxx	xxx
Accounts Payable held during the year (B)	xxx	xxx
Accounts Payable paid during the Year (C)	xxx	xxx
Net changes in account receivables D= A+B-C	xxx	xxx

**23. Employee benefit obligations**

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

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

**24. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>	xxx	xxx
<b>Adjusted for:</b>		
Depreciation	xxx	xxx
Amortisation	xxx	xxx
Gains/ losses on disposal of assets	(xxx)	(xxx)
Interest income	(xxx)	(xxx)
Finance cost	xxx	xxx
<b>Working Capital adjustments</b>		
Increase in inventory	(xxx)	(xxx)
Increase in receivables	(xxx)	(xxx)
Increase in payables	xxx	xxx
<b>Net cash flow from operating activities</b>	<b>xxx</b>	<b>xxx</b>

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

**25. Related party balances**

**a) Nature of related party relationships**

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

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

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

**b) Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	xxx	xxx
Transfers to related parties	xxx	xxx

**c) Key management remuneration**

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	xxx	xxx
Key Management Compensation	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**d) Due from related parties**

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	xxx	xxx
Due from County Government	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**e) Due to related parties**

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	xxx	xxx
Due to County Government	xxx	xxx
Due to Key management personnel	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**26. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	2019/2020	2018/2019
	KShs	KShs
Court case xxx against the Fund	xxx	xxx
Bank guarantees	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*(Give details)*

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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S 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>

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.