

REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	03/05/2023
TABLED BY	Sen. Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	M. Adjubedal

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THE AUDITOR-GENERAL

ON

**MOMBASA COUNTY CONSOLIDATED
REVOLVING FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



COUNTY GOVERNMENT OF MOMBASA
MOMBASA COUNTY CONSOLIDATED
REVOLVING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Entity Information and Management

a) Background information

Mombasa County Revolving Fund is established by and derives its authority and accountability from Mombasa County Consolidated Revolving Fund Act No. 5 on 2016. The Fund is wholly owned by the County Government of Mombasa and is domiciled in Kenya.

The fund's objective is to

- Expand access to finance in the promotion of youth and women enterprises to spur wealth creation.
- Generate gainful self-employment.
- Establish the mechanisms for community driven development.
- Finance technology transfer for efficiency, sustainability of projects or promote use of technology.
- Promote education, business management literacy for capacity building of the enterprises.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to

- The Fund's principal activity is to provide group loans to persons living with disabilities, women and youth groups with viable business initiatives. The principal activity/mission/ mandate of the Fund;
- **Vision**
To be the county of choice in prudent management of revolving fund and business start-ups
- **Mission**
To be the leading County Government in provision of capital revolving fund for start-up business among youth and people with disability.

**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

- **Core values**

1. Accountability and transparency
2. Excellency & responsibility
3. Integrity & responsibility
4. Equity and team work

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	Hasnain Meghji
1	Chief Officer (<i>Youth, Gender, Sports And Cultural Affairs</i>)	Innocent Mugabe
2	Chief Officer (<i>Finance and Economic planning</i>)	Asha Abdi
3	Other trustees/Committee Members	Janet Ndanu Katisya, Innocent Mugabe, David Munga, Abdalla Abubakar Ahmed, Rev. Justsus Kimeu
4	Fund Manager/ Administrator	Joseph W. Kamau

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Joseph W. Kamau
2	Administrative Officer	Larry Sifa

e) Registered Offices

P.O. Box 90440 - 80100
 Betting Control & Licensing Building
 Mombasa, KENYA

f) Fund Contacts

E-mail: info@mombasacounty.go.ke
Website: www.mombasacounty.go.ke

g) Fund Bankers

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


h) Independent Auditors


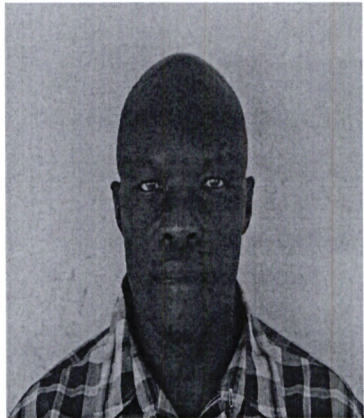
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya




i) Principal Legal Adviser

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



2. The Board of Trustees (or any other governing body for the Fund)

Name	Details of qualifications and experience
<p>1. </p>	<p>Hasnain Meghji: Chair- Board of Trustees Born: 1975 Mr Hasnain Meghji was appointed by H.E the Governor as the Board Chairman on 22nd January 2019. Mr Meghji is an accomplished professional trained at the prestigious London School of Insurance brings to the board a wealth of experience gained from managing private as well as public organisation for over 20 years. Mr Meghji is currently the Chief Executive Officer of Masumari Meghji Insurance Brokers. He is an excellent communicator, team player, result oriented and person of high integrity</p>
<p>2. </p>	<p>Asha Abdi: Board Member Born: August 1988 Bachelor in Economics, M.A(PPM)- Ongoing, Dip in international studies</p>
<p>3. </p>	<p>Janet Katisya: Board Member Born: Janet Ndanu Katisya is a commercial lawyer, serial entrepreneur. Janet runs her own law firm that specializes in ADR, commercial and property law, J. Katisya and Associates. She has 15 years' experience as a lawyer in conveyance commercial transactions, mediation and arbitration. She was for 12 years a partner at Ndegwa, Katisya, Sitonik and Associates and Ndegwa, Muthama, Katisya and Associates. She was the Secretary General of Mombasa Law Society for 4</p>

	<p>years and has since served in various committees in the LSK and Mombasa Law Society. She was part of the Committee that developed the Legislative Drafting Handbook with Kenya Law Reform</p>
<p>4.</p> 	<p>Innocent Mugabe: Board Member</p> <p>Born:</p> <p>Mr. Innocent Mugabe holds a first class honors degree in Tourism Management from Moi University and completing Master’s degree in International Tourism at Kenyatta University. He has worked in the Banking sector for Barclays Bank and Kenya Commercial Bank. He has been a lecturer at Moi University and Technical University of Mombasa. He was Chairman of Hospitality and Tourism Department at Technical University of Mombasa for 4 years and later the managing Director of TUMEL, LTUM Enterprise LTD.</p> <p>He is also a management Consultant in Hospitality and Tourism, and Director of Sunset Paradise Homes and Bahari Gates Resort</p>
<p>5.</p> 	<p>David Munga: Board Member</p> <p>Born: 1964</p> <p>Mr Munga is currently the acting Director of Trade. He holds a Bachelor of Commerce degree accounting option and a Master’s degree in Economics. Further, on Mr Munga holds a diploma in supplies management. He has over 25 years’ experience in Government and private sector</p>

<p>6.</p> 	<p>Abdalla Abubakar Ahmed: Board Member</p> <p>Born</p> <p>Mr. Abdalla Abubakar Ahmad holds a Diploma in Public Administration and a Certificate in Business management. He is well trained in business skills and ICT from Yaris Institute of Business and information studies</p> <p>.further Mr. Ahmad is a member of lottery international and organizing secretary of Muslim society of Kenya. Mr. Ahmad will represent the interest of persons living with disability in the board.</p>
<p>7.</p> 	<p>Rev. Justus Kimeu: Board Member</p> <p>Born</p> <p>Revered Justus Kimeu is a graduate of Moi university. He is currently the general secretary JCC Churches. He is also the county overseer of Mombasa Churches. He is married and a person of high moral standards.</p>
<p>8.</p> 	<p>Joseph W. Kamau: Fund Administrator</p> <p>Born: 1970</p> <p>Joseph W. Kamau was appointed as the Fund Administrator on 18th April 2016. He has over 20 years' experience on community development matters and he has attended conferences and workshops on the same both at the local and international level. Mr Kamau holds a degree in Public Administration from Moi University. He also holds CPS 1 and attended Senior Management Course at the Kenya School of Government.</p>

3. Management Team

Name	Details of qualifications and experience
<p>1. </p>	<p>Joseph W. Kamau: Fund Administrator Born: 1970 Joseph W. Kamau was appointed as the Fund Administrator on 18th April 2016. He has over 20 years' experience on community development matters and he has attended conferences and workshops on the same both at the local and international level. Mr Kamau holds a degree in Public Administration from Moi University. He also holds CPS 1 and attended Senior Management Course at the Kenya School of Government.</p>
<p>2. </p>	<p>Larry Sifa: Administrative Officer Born: September 1986 Larry Sifa is a graduate of Bachelor of Arts in social studies from Moi university. He has also undergone leadership development program and worked in Al-Nur Media Africa who are publishers of Nairobi law monthly before joining county government of Mombasa in April 2018.</p>

4. Board/Fund Chairperson's Report

It is my pleasure to present, on behalf of the Board of Trustees, the Mombasa County Revolving Fund financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

• **Changes in the Fund during the year**

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

• **Review of the Fund's performance**

No funds received from the County Government. Consequently, there was very little expenditure on administration costs.

• **Future outlook of the Fund**

The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government, local and aspiring political leaders, with other development partners so that the Fund can realize its mandate.

• **A conclusion**

Lack of funds has been a challenge in the FY 2021/2022, with necessary support from the County Government, Fund's board and management team I look forward for another fabulous and continued support in the financial year 2022/2023.



.....
Name: Hasnain Meghji

Chairperson

5. Report of the Fund Administrator

(Under this section, the Fund Administrator will give his report, which highlights the same issues as the Chairman in a more detailed format, usually 2 to 3 pages. The Fund Administrator may also mention at a high level the financial performance of the Fund).

It is my pleasure to present the Consolidated Revolving fund financial statements for the year ended 30th June 2022.

During the year under review, we did not receive any funds from the County Government and therefore, we were not able to give loans to groups. However, we did call for applications through advertisement, announcement by horn speaker and Media engagement that received 1,600 no of applications from women, PWDs, as well as youth-led organisations.

The fund was able to shortlist eligible applicants and forwarded the same to financial intermediary for entrepreneurship skills training as part of our loaning procedure. Due to Covid -19 Economic stress among Market traders, the board approved an economic stimulus package to the tune of Ksh.10 million to cushion them against the harsh economic realities however, this was not disbursed due to lack of funds.

Key Risk Management Strategies;

The Fund is exploring better means to management, disbursement and recovery of loans by engaging a reputable Financial Intermediary Institution (Bank) through a Memorandum of Understanding (MOU). This will enhance effective management of the Fund and reduce cases of loan default hence sustainability of the Fund.

Future Programs;

The Fund is looking forward to disbursement of funds by the incoming County administration to support Youth, Women and PWDs as budgeted in the FY 2022/2023. The funds will also be used for training and capacity building of the Board and Fund's Secretariat.

Financial Performance

The Fund Administrator should sign the Fund Administrator report.



.....

Name: Joseph W. Kamau

Fund Administrator

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

6. Statement of Performance against the County Fund's Predetermined Objectives

Guidance

During the year under review, the board had budgeted Kes 36,100,000, which was to be used to empower the youth, women and persons living with disabilities by availing funds to support income generating activities.

The funds were also to be used in capacity building for the youth, women and persons living with disabilities in terms of skills development. Besides the funds was to be used for capacity building for the board members and staff. The budgeted amount was also earmarked to be used in the amendment of the Revolving Fund Act and preparation of the lending regulations.

Most of these objectives were not met because the County did not transfer any money to the board.

Introduction

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

The key development objectives of the Fund are to:

- Expand access to finance in the promotion of youth and women enterprises to spur wealth creation.
- Generate gainful self-employment.
- Establish the mechanisms for community driven development
- Finance technology transfer for efficiency, sustainability of projects or promote use of technology.
- Promote education, business management literacy for capacity building of the enterprises.

Progress on attainment of Strategic development objectives

The fund does not have a strategic plan. However, the same will be done in the year 2022/2023 financial year.

**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Capacity Building and training of loan beneficiaries.	<ul style="list-style-type: none"> To equip the beneficiaries with basic financial skills i.e. book keeping To sensitize the beneficiaries on loan repayment. 	Empowered groups	No. of groups trained	In FY 21/22 we trained over 1000 self-help groups.
Capacity building for board members	To provide leadership and management skills to board members and staff	Empowered board management and staff	No. of trainings undertaken	We were not able to do the same due to lack of funds.
Empowerment of youth, women and persons living with disabilities	To provide financial support to the youth, omen and PWDS to start Business ventures.	Empowered youths, women and PWDs.	No. of youth, women and PWDS groups advanced loans.	We were not able to give loan to groups due to lack of fund.
Amendment of the Act and lending regulations	<ul style="list-style-type: none"> To amend the Act to comply with the PFM Act. To have sound lending regulations 	Enabling legislation and regulations	<ul style="list-style-type: none"> Amended Act Approved regulations Number of public participation forums held. 	Lack of funds hampered amendment of the Act and lending regulation.

7. Corporate Governance Statement

The Mombasa County Loans Funds is a revolving fund established pursuant to the Mombasa County Trade Revolving Fund Act 2016 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide loans to members of Self-Help Groups. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of Trustees at its apex. The operation of the fund is governed by an Act made in 2016. The structure is designed to ensure an informed decision- making process based on accurate reporting to the board.

- **Number of Board/Trustee meetings held and the attendance to those meetings by members**

In the FY 2021/2022, the County Revolving Fund Board did not have any sitting due to lack of a running funded budget.

- **Succession plan**

The incoming County Executive is expected to appoint new board members to replace the current one whose mandate has expired.

- **Existence of a board/trustee charter**

The Fund looks forward to establishing the board charter once it has funds as one of its program.

- **Process of appointment and removal of trustees**

Members of the board are appointed in accordance to Mombasa County Consolidated Revolving Fund Act 2016 Sections 6(2), 7, 8 & 9, which governs appointment and removal of trustees.

- **Roles and functions of the board/trustee**

The roles and functions of the board are outlined in the Mombasa County Consolidated Revolving Fund Act 2016 as follows;

- a) To develop policies, procedures and manuals to operationalise the Fund guided by the CIDP and county vision;
- b) To oversee equitable, timely and efficient processing of loan and disbursement;
- c) To ensure compilation of proper data, records, returns and reports;
- d) To receive and discuss annual reports and returns
- e) Perform such other duties as may be deemed necessary from time to time for the proper

management of the Fund.

- **Induction and training**

The Management of the fund budgeted for induction and training of the board and the key management team but due to lack of funds the same did not take place.

- **Board and member performance**

Members of the board are expected to attend all meetings and participate in making resolutions as per their roles under the Fund Act 2016

- **Conflict of interest**

Every member of the board with a personal interest in an issue coming before the Board, will be required to declare interest and will not be entitled to vote on the matter. The Fund Manager shall have the right to require his opinion to be recorded in the minutes if the decision being made is contrary to his advice or the Fund Act.

- **Board/trustee remuneration**

The Board Committee members receive sitting allowances as contained in the Salary Remuneration Commission Boards and Committees Allowance Circular issued from time to time.

- **Ethics and conduct as well as governance audit.**

The board of trustees are appointed as per the chapter 6 of the constitution of Kenya.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund had managed to recover loans funds from beneficiaries during the year and it's expected to grow over the coming years and the management has put measures in place to safeguard against risks. The fund's activities are exposed to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund has in place policies to ensure that credit is extended to youth, women and people living with disability groups with an established positive credit history.

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

Business performance

Revenue

The fund earned revenues amounting to Kshs. 34,000 from the actual local collections during the financial year 2021/2022. The Fund did not receive any disbursement from County Government during the financial year 2021/2022. The fund management is projecting increased support from the development partners as well so that its strategic plan, vision and mission for the year 2022/2023 can be realized with the strong support of the County Government.

Cash flow

The cash and cash equivalents decreased from Kshs 162,325 as at 30 June 2021 to Kshs 120,977 as at 30 June 2022. There was very little repayment of funds from youth, Women groups and people living with disabilities.

Operational Performance

The fund's core operating activity has been of offering business loans to organised Youth, Women groups and people living with disabilities within Mombasa County. The County Government did not release any funds in the FY 2021/2022 hence no support. The Fund carried out its activities using money recovered in loan repayments.

Employees

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

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

During the FY 2022/2023, the fund will embark on enhanced stakeholder's sensitization awareness campaigns on security, HIV/AIDs, STI's Drug abuse and Misuse, Family values, gender & disability. The Trustees will contract a qualified firm to draft this policy manual which will be approved by the Board.

Entity's key projects or investments decision implemented or ongoing

The Fund has embarked on engaging a Financial Intermediary Institution as its key priority in the coming financial year. This partnership will result in better management and increased access to loans for youth, women and PWDs.

Fund's compliance with statutory requirements

The Fund fully complies with all statutory requirements as guided by the Fund Act, Public Finance Management Act and the County Government Act.

Major risks facing the Fund

The Fund is facing a high level of loan defaults compounded by the effects of Covid-19 and misunderstanding by beneficiaries that the loans awarded are for political rewards rather than for development purpose

9. Environmental and Sustainability Reporting

The Fund did not undertake CSR activities during the year.

10. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide group loans to persons living with disabilities, women and youth groups with viable business initiatives.

Results

The results of the Fund for the year ended June 30, 2022, are set out on page 31

Trustees

The members of the Board of Trustee who served during the year are shown on page 7. The changes in the Board during the financial year are as shown below:

Ref	Name	Position
1	Innocent Mugabe	Board Member
2	Joseph W. Kamau	Fund Manager

Auditors

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

By Order of the Board



.....
Hasnain Meghji

Chair of the Board/Fund Administration Committee

Date:

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 Consolidated Revolving Fund established by Mombasa County Consolidated Revolving Fund Act No. 5 on 2016 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 Consolidated Revolving Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (
- iv) Safeguarding the assets of the fund;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Consolidated Revolving 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 Mombasa County Trade Revolving Fund Act No. 5 on 2016. 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, 2022, 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

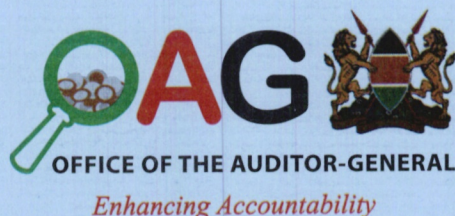


Joseph W. Kamau

FUND ADMINISTRATOR

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MOMBASA COUNTY CONSOLIDATED REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa County Consolidated Revolving Fund set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mombasa County Consolidated Revolving Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Mombasa County Consolidated Revolving Fund Act, 2016.

Basis for Qualified Opinion

Current Portion of Long-Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.54,144,642(2021 - Kshs.54,178,642) as disclosed under Note 12 to the financial statements. The following observations were made:

- i. Loan agreements indicating repayment periods and interest rate or rates applicable were not provided for audit review. Further, loan repayments and recoveries since 2018/2019 totaled only Kshs.1,760,352 (or 3%) of total loans of Kshs.54,144,642 advanced as at 30 June, 2022, an indication of low recovery rate.
- ii. Securities for the loans advanced to confirm that the same were given in the name of the County Government were not provided for audit review, contrary to Section 145(4) of the Public Finance Management Act, 2012 which states that the County Executive Committee Member for finance shall ensure that a security given in respect of a loan under this Section is given in the name of the County Government.

In the circumstances, the completeness and recoverability of current portion of long-term receivables from exchange transactions balance of Kshs.54,144,642 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section of my report, I have determined that there were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted revenues of Kshs.36,200,000 and actual revenues of Kshs.34,000, resulting in a budgetary shortfall of Kshs.36,166,000 (or 99%) of the budget. Further, the Fund spent an amount of Kshs.75,228 against an approved budget of Kshs.61,200,000, resulting in an underexpenditure of Kshs.61,124,772 (or 99%) of the budget. It was also not explained how the budget deficit of Kshs.25,000,000 was to be funded.

The underfunding and underperformance constrained execution of planned activities and delivery of services to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Prepare Interim Financial Statements

Mombasa County Consolidated Revolving Fund's Administrator did not prepare quarterly financial statements during the year, contrary to Section 168(1) of the Public Finance Management Act, 2012 which requires the Administrator of a County Public Fund established by the Constitution, an Act of Parliament or County legislation, to prepare quarterly financial statements for the Fund in a form prescribed by the Accounting Standards Board.

In the circumstances, the Management was in breach of the law.

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

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Trustees

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide the 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

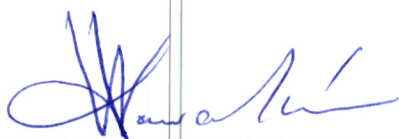
20 February, 2023

**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

12. Statement of Financial Performance for the Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
Total Revenue		-	-
Expenses			
Employee Costs	6	0	456,000
Use of goods and services	7	77,976	168,450
Depreciation and Amortization Expense	8	-	-
Finance Costs	9		2,541
Total Expenses		77,976	626,991
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10		
Surplus/(Deficit) For The Period		(77,976)	(626,991)

(The notes set out on pages 20 to 31 form an integral part of these Financial Statements)



.....
Name: Joseph W Kamau
Administrator of the Fund



.....
Name: Joshua Rume
Fund Accountant
ICPAK Member Number: 21152

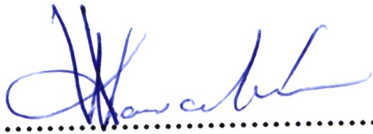
Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

13. Statement of Financial Position As At 30 June 2022

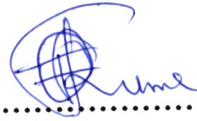
	Note	2021-2022 Kshs	2020-2021 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	120,977.00	162,325.00
Current Portion of Long- Term Receivables From Exchange Transactions	12	54,144,642	54,178,642.00
Prepayments	13	-	-
Inventories	14	-	-
		54,265,619	54,340,967.00
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
		-	-
Total Assets		54,265,619	54,340,967.00
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	2,628	-
Provisions	18	-	-
Current Portion of Borrowings	19	31,800	-
Employee Benefit Obligations	20	-	31,800
		-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		31,800	31,800
Net Assets		54,231,191	54,309,167
Revolving Fund		54,000,000	54,000,000
Reserves		-	-
Accumulated Surplus/ deficit		231,191	309,167.00
Total Net Assets and Liabilities		54,231,191	54,309,167.00

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 _____ 2022 and signed by:



.....
Name: Joseph W Kamau
Administrator of the Fund




.....
Name: Joshua Rume
Fund Accountant
ICPAK Member Number: 21152

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

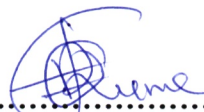
14. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	54,000,000	-	936,158	54,936,158
Surplus/(Deficit) For the Period	-	-	(626,991)	(626,991)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	54,000,000	-	309,167	54,309,167
Balance As At 1 July 2021	54,000,000	-	309,167	54,309,167
Surplus/(Deficit) For the Period	-	-	(77,976)	(77,976)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	54,000,000	-	231,191	54,231,191

(Provide details on the nature and purpose of reserves)



.....
Name: Joseph W Kamau
Administrator of the Fund



.....
Name: Joshua Rume
Fund Accountant
ICPAK Member Number: 21152

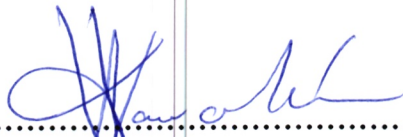
**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

15. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
Total receipts		-	-
Payments			
Fund administration expenses		72,600	456,000
General expenses		2,748	168,450
Finance cost		-	2,541
Other payments		-	-
Net cash flows from operating activities	21	(75,348)	(626,991)
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets			(-)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		34,000	327,340
Loan disbursements paid out			0
Net cash flows used in investing activities		34,000	327,340
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities	-	-	-
Net increase/(decrease) in cash & cash Equivalents		-	(299,651)
Cash and cash equivalents at 1 July	11	162,325	461,975
Cash and cash equivalents at 30 June	11	120,977	162,325

**Mombasa County Consolidated Revolving Fund
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(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)



.....
Name: Joseph W Kamau

Administrator of the Fund



.....
Name: Joshua Rume

Fund Accountant

ICPAK Member Number: 21152

**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

16. Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30th June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	-
Transfers From County Govt.	35,000,000	-	35,000,000	-	-	0%
Interest Income	200,000	-	200,000	-	-	0%
Other Income (Loan Repayment)	1,000,000	-	1,000,000	34,000	966,000	3.4%
Total Income	36,200,000	(-)	36,200,000	34,000	36,166,000	0.012%
Expenses						
Fund Administration Expenses	40,700,000	-	40,700,000			0%
General Expenses	20,200,000	(-)	20,200,000	75,228		0.004%
Finance Cost	300,000	(-)	300,000			0.009%
Total Expenditure	61,200,000	(-)	61,200,000	75,228		0.012%
Surplus For The Period	-	-	-	120,977		-

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.

17. Notes to the Financial Statements

1. General Information

Mombasa County Revolving Fund entity is established by and derives its authority and accountability from Mombasa County Consolidated Revolving Fund Act 2016. The entity is wholly owned by the Mombasa County Government and is domiciled in Kenya. The entity's principal activity is to support youth, women and PWDs with business funds.

2. 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.

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

**Mombasa County Consolidated Revolving Fund
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Standard	Effective date and impact:
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <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>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

4. Significant Accounting Policies

a) 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.

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 31st March 2021 and Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 16 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) 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.

d) 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.

a) 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)

b) 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.

c) 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.

d) 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.*

e) 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.

f) 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.

g) 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)

h) 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.

i) 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.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by Mombasa County Consolidated Revolving Fund Act 2016 under the Department of Youth and Gender. Its ultimate parent is the County Government of Mombasa.

n) Currency

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

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

b) Useful lives and residual values

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

- 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

c) Provisions

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

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

6. Notes to The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	-	-

(Provide brief explanation for this revenue)

**Mombasa County Consolidated Revolving Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(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. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	75,228	168,450
Committee Allowances	-	-
Bank Charges	2,748	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-

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Description	2021/22	2020/21
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	-	2,541
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Total	77,976	170,991

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

Mombasa County Consolidated Revolving Fund
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Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	120,977.00	162,325
Others	-	-
Total Cash And Cash Equivalents	120,977.00	162,325

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

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank	1211697762	22,982	63,139
Kenya Commercial Bank	1210798255	5,987	7,178
Kenya Commercial Bank	1211698025	-	-
Faulu Bank	1003584597	92,008	92,008
Sub- Total		120,977	162,325
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-

Mombasa County Consolidated Revolving Fund
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Sub- Total		-	-
Grand Total		120,977	162,325

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	54,144,642	54,708,758.00
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	(-)
Total Current Receivables	54,144,642	54,708,758.00
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	54,144,642	54,178,642.00

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-

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Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

Mombasa County Consolidated Revolving Fund
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Notes To The Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values					
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Mombasa County Consolidated Revolving Fund
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Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade And Other Payables	-	-

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	xxx

**Mombasa County Consolidated Revolving Fund
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Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(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)

Mombasa County Consolidated Revolving Fund
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Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	0	-	-	-	0

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	-	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	-	-

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

Other Disclosures

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

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Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

**Mombasa County Consolidated Revolving Fund
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Other Disclosures Continued

24. 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	54,016,317.00	-	54,178,642	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	120,977.00	-	162,325	-
Total	54,137,294.00	-	55,340,967	-
At 30 June 2021				
Receivables From Exchange Transactions	54,178,642	-	54,278,582	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	162,325	-	461,975	-
Total	55,340,967	-	54,740,558	-

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

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

**Mombasa County Consolidated Revolving Fund
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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:

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

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.

Mombasa County Consolidated Revolving Fund
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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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	137,294.00	309,167.00
Total funds	137,294.00	309,167.00
Total borrowings	-	-
Less: cash and bank balances	120,977.00	162,325
Net debt/(excess cash and cash equivalents)		(83,558)
Gearing	xx%	xx%

**Mombasa County Consolidated Revolving Fund
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18. 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 (a)	Inadequacy of the Enabling Legislation	The Act is being reviewed	Resolved	2020/2021
(b)	Lack of Approved Budget Estimates	Revolving Fund’s Budget established as a programme under the Department of Youth & Gender.	Resolved	
2	Lack of Audit Committee	The Fund established an Audit Committee in line with section 167(1) of the Public Finance Management Regulations.	Resolved	

Guidance Notes:

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