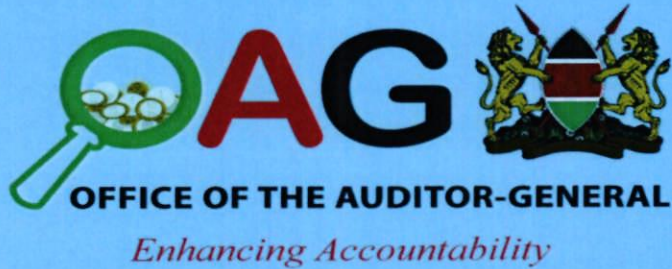
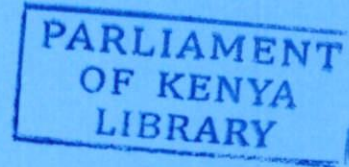


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**KWALE COUNTY ASSEMBLY
MEMBERS AND STAFF LOAN
SCHEME FUND**

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

PAPERS LAIN
TABLED BY: 3/11/2021
COMMITTEE: Deputy Secretary
CLERK AT THE TABLE: Kavete M.



**KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME
FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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



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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kwale County Assembly Members and Staff Loan Scheme Fund is established by and derives its authority and accountability from the Kwale County Assembly Members and Staff Loan Scheme Act 2016 and provision of Section 116 of the PFM Act 2012.

The Fund is managed through a Committee. The Committee is composed of two Members of the County Assembly (MCAs) who are appointed by the speaker and three Staff members, two of whom are appointed by the Clerk.

b) Principal Activities

The Kwale County Assembly Members and staff loan Scheme fund is envisioned to see empowered mobility and descent residence of its members in the county through provision of affordable car loans and mortgage facilities

The fund primary & main objective is to provide **descent** residential housing and motor vehicles for transport to its members.

The fund principal activity is to disburse and manage loans to members in the following forms

1. Mortgage loan
2. Car Loan

c) Fund Administration Committee

Ref	Name	Position
1	Sawa Hamisi Ngalaa	Chairperson
2	Saidi Saidi Maganga	Fund Administrator
3	Hon Alfred Ruwa Bavu	Member
4	Hon Teresia B Muoki	Member
5	Fatuma Kingi	Member

d) Registered Offices

P.O. Box 231 - 80403
County Assembly Building's
Kinango Road/Highway,
Kwale – Kenya

e) Fund Contacts

Telephone: (254)
E-mail: Countyassemblyofkwale@gmail.com
Website: www.bungekwale.co.ke

f) Fund Bankers

- Kenya Commercial Bank
P.O. Box 43-80403
Kwale
- Family Bank of Kenya
Nkuruma road Branch
Mombasa

g) Independent Auditors

The Auditor-General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

h) Principal Legal Adviser

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

2. THE FUND MANAGEMENT TEAM

THE FUND MANAGEMENT TEAM		
S/n	Name	Position
1	Sawa Hamisi Ngala	Chairman of the fund Committee and a senior Clerk to the County Assembly of Kwale. Sawa is holder of a bachelor's degree in business from Methodist University. He boasts a wealth of experience in parliamentary procedures and has been the Chairman for Kwale Civic workers Sacco for over 10 years
2	Saidi Maganga	Fund administrator, an Accountant by profession and a CPA(K) with a holder of bachelor's degree in Finance from the University of Nairobi. Maganga previously worked with Abercrombie and Kent (k) Ltd and Kenya Petroleum Refineries Limited in Finance department
3	Hon Alfred Bavu	A Member of the Fund and a re-owned law maker of the county Assembly of Kwale representing the people of Kinango Ward. A teacher by profession with a wealthy of teaching experience
4	Hon. Teresia B. Muoki	A Member of the Fund and a re-owned law maker of the county Assembly of Kwale representing special interest group. Previously worked with NGO world in managerial capacity
5	Fatuma Kingi	A Member of the Fund and a legal drafter of the County Assembly of Kwale. Holds a bachelor's degree in law from Kampala University
6	Fatuma Mwalupa	An Ex-Official of the fund, being the Accounting Officer of the Kwale county Assembly under which the funds operations lay

3. FUND CHAIRPERSON'S REPORT

The year 2019/2020 is anticipated to have a high level of lending activities since a significant unit of the Fund's clientele composed of mostly staff of the County assembly desire to take up loans. The focus will be centred on timely recoveries of the outstanding loans to ensure further disbursement to the many new applicants that will apply.

The Fund Committee managed to secure an allocation of additional funding of Kshs 100,000,000 in the county's annual budget in the financial year 2019/2020. This additional funding will go a long way in meeting funding obligation from member's loan applications.

I take this opportunity to thank all the committee members who dedicated their time and energy to ensure quality service delivery and meeting the fund's Scheme's objective. It was not easy, but the success we recorded was through your collaborative effort. I must say a big thank you.

A big thank to our esteemed clients whose presence ensured that we had someone to serve. Above all, to the entire management of county Assembly who provided invaluable input whenever sought to do so.

I look forward to your support in the year 2019/2020 as we endeavour to put a roof and power mobility to you, our esteemed clients. God bless you all

Signed: _____



Sawa Hamisi Ngalaa

4. REPORT OF THE FUND ADMINISTRATOR

The County Assembly is operationalizing a fund scheme for the purpose of enabling its member's access loans to purchase cars and acquire housing facilities.

The operations of the fund are guided by the County Assembly Members and Staff loan scheme Act 2016 and as subsequently amended. There is a committee which manages the day today affairs of the fund. The committee membership is composed of five Members, three being members of the staff, one of whom shall be the chairman, and two members from among the Members of the county Assembly.

One of the strengths of the fund has been its ability to maximise on monthly loan recoveries. In this regard the fund managed to recover a total of Kshs 48,733,740 of which Kshs 20,346,448 was recovered from car loan division and Kshs 28,387,291 was recovered from the mortgage division. As a revolving fund, the recoveries were further applied to disburse a total principal loan of Kshs 62,400,000 of which Kshs 6,500,000.00 was disbursed under the Car loan facility and Kshs 55,900,000 under the Mortgage facility. A total of eighteen members of the fund benefited from the facility during the year.

The fund did not receive any fresh funding during the year. However, the fund secured new budgetary allocation of Kshs 100,000,000 from the county government of Kwale in the financial year 2019/2020. This allocation is a boost to the financial muscles of the fund and to that extent upholds the funds vision of putting a roof and power mobility to its esteemed members.

The main source of revenue of the fund is interest income. During the year total of Kshs 6,286, 898 was realized as interest income. The major contributor was the mortgage unit which realised a total of Kshs 3,832,121 followed by car loan unit with a performance of Kshs 1,900,963. Interest received from KCB bank on bank balances was Kshs 553,815.

The total expenses of the fund during the year amounted to Kshs 3,586,336. Fringe benefit tax for the year amounted to Kshs 2,466,783. This amount has now been passed over to the employer i.e County Assembly of Kwale for purpose of payment.

The fund realised a net profit for the year was kshs 2,700,562.

In order to increase in efficiency data collection and information management, the fund adopted a software for financial operation. The fund equally finalised on the legal instrument of Charge for registration of mortgage facility.



CPA Saidi Maganga
Fund Administrator

5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES


Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the County Assembly of Kwale Members and Staff Loan Scheme Act 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 Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

The Fund's financial statements were approved by the Board on 27/11/ 2019 and signed on its behalf by:


Dr. Hamisi Dzila
Clerk –County Assembly of Kwale

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale County Assembly Members and Staff Loan Scheme Fund set out on pages 8 to 32, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kwale County Assembly Members and Staff Loan Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kwale County Assembly Members and Staff Loan Scheme Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects short-term receivables from exchange transactions balance of Kshs.54,970,879 and long-term receivables from exchange transactions balance of Kshs.139,154,032, all totaling to Kshs.194,124,911 as disclosed in Note 8 to the financial statements. The following observations were made:

1.1 Uninsured Loans

Note 8 to the financial statements for the year ended 30 June, 2019 reflects total receivables from exchange transactions balance of Kshs.194,124,911, being outstanding principal amounts on car and mortgage loans issued to County Assembly members and staff. However, no evidence was provided to confirm that the loans had been insured contrary to Section 23 of the Kwale County Assembly Members and Staff Loan Scheme

Report of the Auditor-General on Kwale County Assembly Members and Staff Loan Scheme Fund for the year ended 30 June, 2019

Fund Act, 2016 which states that “every loan granted under this Act shall be insured by the County Assembly Service Board for the benefit of the member and the premium in respect thereof shall be debited to the account of the member of the fund”.

Consequently, the full recoverability of receivables from exchange transactions balance of Kshs.194,124,911 as at 30 June, 2019 could not be confirmed.

1.2 Logbooks not Jointly Registered and not Provided for Audit

As previously reported, records provided for audit review showed fifty-four (54) outstanding car loans with a balance of Kshs.55,681,980. However, logbooks for thirty-two (32) outstanding car loans with a balance of Kshs.34,451,255 were not provided for audit review. Further, five (5) outstanding car loans with a balance of Kshs.6,498,962 had logbooks registered in the name of the individual borrowers, contrary to Section 18(2) of the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016 which states that, ‘the ownership documents of the property subject to a loan from the fund shall be jointly registered between the County Assembly Service Board and the member and shall be kept in the custody of the Fund Manager until the loan is repaid in full by the member’.

Consequently, the full recoverability of car loans totalling to Kshs.40,950,217 as at 30 June, 2019 could not be confirmed.

1.3 Title Deeds not Charged by the Fund

Records provided for audit review indicated an outstanding amount of Kshs.137,890,602, being outstanding mortgage loans issued to forty-two (42) borrowers. The Management however, provided thirty-one (31) title deeds for loans valued at Kshs.90,980,858 for audit review while eleven (11) title deeds for loans valued at Kshs.46,909,744 were not in the custody of the Loan Scheme’s management, putting at risk the existence of the related assets/property. Further, out of the thirty-one (31) title deeds provided for audit, twenty-seven (27) title deeds had not been charged as security for loans issued amounting to Kshs.88,316,543, contrary to Salaries and Remuneration Commission Circular Ref. No: SRC/TS/CGVT/3/61/VOL V (42) which requires all title deeds be charged as security against loans issued.

Consequently, the full recoverability of mortgage loans totalling to Kshs.135,226,287 as at 30 June, 2019 could not be confirmed.

1.4 Outstanding Loan balances for former Employees and Members of County Assembly

Included in the receivables from exchange transactions balance of Kshs.194,124,911 is Kshs.18,941,563, being loans advanced to three (3) former employees of the County Assembly of Kwale who are not servicing their loans. Further, the receivables from exchange transactions balance of Kshs.194,124,911 includes Kshs.843,236, being outstanding car loans issued to two Members of the County Assembly. However, one borrower with a loan balance of Kshs.421,618 has ceased to be a Member of the County

Assembly while loan balance of Kshs.421,618 owed by the other Member of the County Assembly has not been serviced for over two (2) years.

Consequently, the recoverability of loans totalling to Kshs.19,784,799 as at 30 June, 2019 could not be confirmed.

2.0 Trade and Other Payables from Exchange Transactions

2.1 Retention

As previously reported, the statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions of Kshs.10,568,763, out of which Kshs.9,092,763 is retention money deducted from loans disbursed to members. Records provided for audit indicated that this amount was to cater for incidental costs incurred while transferring the property to the beneficiaries. However, no set criteria of determining the amount to be deducted were provided for audit review.

Further, the retention amount was not being held in a separate bank account and was not supported with bank confirmation certificate.

Consequently, the accuracy, existence, completeness and validity of retention balance of Kshs.9,092,763 as at 30 June, 2019 could not be confirmed.

2.2 Accrued Expenses

As previously reported, Note 9 to the financial statements for the year ended 30 June, 2019 reflects accrued expenses of Kshs.1,476,000. Records provided for audit review indicated that the balance relates to the Fund Manager's responsibility allowances that had not been approved for payment and no evidence was provided to show that the allowance was chargeable as part of the Fund's expenses.

Consequently, the accuracy, completeness and validity of accrued expenses of Kshs.1,476,000 as at 30 June, 2019 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budget Controls and Performance

1.1 Revenue Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects revenue budget of Kshs.6,500,000 and actual revenue of Kshs.6,286,898 or 96.7%, resulting to a shortfall of Kshs.213,102 or 3.3%. However, the Fund did not provide for audit review the supporting approval of the budget for the year under review contrary to Section 132(1) of the Public Finance Management Act, 2012 which states that, 'each financial year, the County Executive Member of Finance shall, with the approval of the County Executive Committee, make a pronouncement of the revenue raising measures for the County Government'.

1.2 Expenditure Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects an expenditure budget of Kshs.10,320,000 against actual expenditure of Kshs.3,586,336 or 34.8%, resulting to under expenditure of Kshs.6,733,664 or 65.2% as detailed below:

However, the Fund did not provide for audit review, the approved budget to support expenditure incurred during the year. The Fund, therefore, incurred expenditure contrary to Regulation 51(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that, 'no public officer shall spend or commit funds until he or she has been properly authorized by means of an Authority to Incur Expenditure (AIE) to do so'.

Failure to have a budget may result in misappropriation of public funds entrusted to Kwale County Assembly Members and Staff Loan Scheme Fund management.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for 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

1. Administration of the Fund

As previously reported, the financial statements for the financial year ended 30 June, 2019 were signed by the Clerk to the County Assembly and the Fund Administrator of Kwale County Assembly Members and Staff Loan Scheme Fund.

However, Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016 did not provide a structure for the Management of the Fund and no evidence was provided to confirm that the Fund Manager was duly appointed as required under Section 9 of the Kwale County Assembly Members and Staff Loan Fund Act, 2016 which states that, 'the Fund manager shall be appointed through a competitive process by the County Assembly Service Board'.

Consequently, it has not been possible to confirm that the Fund Management was in conformity with the Act and that the Fund Administrator met the requirements for appointment as envisaged under the Act.

2. Progress on Follow Up of Auditor Recommendations

The financial statements for the year ended 30 June, 2019 at page 32 reflects , progress on follow up of auditor's recommendations. However, the Fund has not disclosed the auditor's observations, management comments, resolutions, status and timeframes for addressing the issues raised yet the Fund's financial statements for the year 2017/2018 were qualified. This contravened Section 116(8) of the Public Finance Management Act, 2012 which states that, 'The administrator of a county public fund shall ensure that the accounts for the fund and the annual financial statements relating to those accounts comply with the accounting standards prescribed and published by the Public Sector Accounting Standards Board from time to time'.

As such, the financial statements for the year ended 30 June, 2019 do not comply with the reporting template prescribed and published by the Public Sector Accounting Standards Board as required by 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 comply, 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.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing Kwale County Assembly Members and Staff Loan Scheme 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 Kwale County Assembly Members and Staff Loan Scheme Fund's 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 Kwale County Assembly Members and Staff Loan Scheme Fund's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether Kwale County Assembly Members and Staff Loan Scheme Fund's 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Kwale County Assembly Members and Staff Loan Scheme Fund's 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 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 Kwale County Assembly Members and Staff Loan Scheme Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the

audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Kwale County Assembly Members and Staff Loan Scheme Fund to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of Kwale County Assembly Members and Staff Loan Scheme Fund's 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 Kwale County Assembly Members and Staff Loan Scheme Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 October, 2021

**Kwale County Assembly
Members and Staff Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

6. FINANCIAL STATEMENTS

6.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2019			
	Note	2018/2019	2017//2018
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	-	-
		-	-
Revenue from exchange transactions			
Interest income	2	6,286,898	10,296,782
		6,286,898	10,296,782
Total revenue		6,286,898	10,296,782
Expenses			
Fund administration expenses	3	822,400	4,744,600
General expenses	5	2,746,400	1,424,400
Finance costs	6	17,536	40,115
Total expenses		3,586,336	6,209,115
Surplus/(deficit) for the period		2,700,562	4,087,667

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on 27/11 2019 and signed by



Dr. Hamisi Dzila
Clerk – County Assembly



CPA Saidi Maganga – No. 10759
Fund Administrator

6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019			
	Note	2018/2019	2017//2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	7	24,062,574	37,621,197
Short-term receivables from exchange transactions(Due in 12 months)	8	54,970,879	43,381,373
		79,033,453	81,002,570
Non-current assets			
Long term receivables from exchange transactions	8	139,154,032	134,348,393
		139,154,032	134,348,393
Total assets		218,187,485	215,350,963
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	10,568,763	10,432,803
		10,568,763	10,432,803
Non-current liabilities			
		-	-
		-	-
Total liabilities		10,568,763	10,432,803
Net assets		207,618,722	204,918,160
Revolving Fund	11	197,430,000	197,430,000
Accumulated surplus/Deficit b/f	11.1	7,488,160	3,400,492
Reserves			
Surplus/Deficit		2,700,562	4,087,667
Total equity		207,618,722	204,918,160

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on 27/11 2019 and signed by



Dr. Hamisi Dzila
Clerk – County Assembly



CPA Saidi Maganga – No. 10759
Fund Administrator

6.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019				
	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2016	107,430,000		3,331,041	110,761,041
Funds received during the year	90,000,000			90,000,000
Surplus/(deficit) for the period			67,236	67,236
Balance as at 30 June 2017	197,430,000	-	3,398,277	200,828,277
Balance as at 1 July 2017	197,430,000	-	3,398,277	200,828,277
Changes in Receivables bal			2,215	
Surplus/(deficit) for the period			4,087,667	4,087,667
Balance as at 30 June 2018	197,430,000	-	7,488,160	204,915,944
Balance as at 1 July 2018	197,430,000	-	7,488,160	204,915,944
Surplus/(deficit) for the period	-		2,700,562	2,700,562
Balance as at 30 June 2019	197,430,000	-	10,188,722	207,616,507

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on 27/11/2019 and signed by



Dr. Hamisi Dzila
Clerk – County Assembly



CPA Saidi Maganga – No. 10759
Fund Administrator

6.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019			
	Note	2018/2019	2017//2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Interest received	2	6,286,898	10,296,782
Total Receipts		6,286,898	10,296,782
Payments			
Fund administration expenses	3	(822,400)	(4,744,600)
General expenses	5	(2,746,400)	(1,424,400)
Changes in receivables/payables			
Increase in receivables	12	(16,395,146)	(164,762,315)
Increase in payables	13	135,960	10,432,803
Finance cost	6	(17,536)	(40,115)
Total Payments		(19,845,522)	(160,538,627)
Net cash flows from operating activities	14	(13,558,623)	(150,241,845)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(13,558,623)	(150,241,845)
Cash and cash equivalents at 1 JULY	7	37,621,197	187,863,041
Cash and cash equivalents at 30 JUNE	7	24,062,574	37,621,196

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund financial statements were approved on 23/11 2019 and signed by



Dr. Hamisi Dzila
Clerk – County Assembly



CPA Saidi Maganga – No. 10759
Fund Administrator

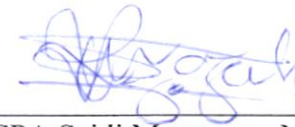
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6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th JUNE 2019						
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	0		0		0	-
Interest income	6,500,000		6,500,000	6,286,898	213,102	97%
Other income	0		0		0	-
Total income	6,500,000	0	6,500,000	6,286,898	213,102	97%
Expenses						
Fund administration expenses	1,000,000		1,000,000	822,400	177,600	82%
General expenses	9,300,000		9,300,000	2,746,400	6,553,600	30%
Finance cost	20,000		20,000	17,536	2,464	88%
Total expenditure	10,320,000	0	10,320,000	3,586,336	6,733,664	35%
Surplus for the period	(3,820,000)	0	(3,820,000)	2,700,562	(6,520,562)	-71%

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 27/11 2019 and signed by:



Dr. Hamisi Dzila
Clerk – County Assembly



CPA Saidi Maganga – No. 10759
Fund Administrator



6.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • 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 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

Interest income is accrued under simple interest on reducing balance basis.

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 25th June 2018.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity do not creates and maintains reserves in terms of specific requirements.

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

The Entity do not have a retirement benefit scheme.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. 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.

14. 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.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Kwale County Assembly Members and Staff Loan Scheme Funds Act 2016.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

Unless otherwise specified, the entity does not make any provisions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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.

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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0	0

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6.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	0	0
Payments by County on behalf of the entity	0	0
Total	0	0

2. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from mortgage loans	3,832,121	1,008,501
Interest income from KCB	553,815	614,576
Interest income from Family Bank		6,983,675
Interest income from car loans	1,900,963	1,690,030
Total interest income	6,286,898	10,296,782

3. Fund administration expenses

Description	2018/2019	2017/2018
	KShs	KShs
Staff costs (Note 4)	822,400	1,756,600
Loan processing costs		
Professional services costs(Training fees)		2,988,000
Total	822,400	4,744,600

4. Staff costs

Description	2018/2019	2017/2018
	KShs	KShs
Salaries and wages (Managers administrative Allowance)	492,000	984,000
Personal Allowances paid – Oth	330,400	772,600
Total	822,400	1,756,600

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Rental costs		24,000
Fund scheme Members and staff trainings		1,132,600
Hospitality	0	267,800
Legal Charges	1,740,000	0
Daily Subsistence Allowance	1,006,400	0
Total	2,746,400	1,424,400

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6. Finance costs

Description	2018/2019	2017/2018
	KShs	KShs
Interest on Bank overdrafts		
Bank charges	17,536	40,115.00
Total	17,536	40,115.00

7. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	24,062,574.30	37,621,197.00
Others	-	-
Total cash and cash equivalents	24,062,574.30	37,621,197.00

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2018/2019	2017/2018
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		23,872,573.30	37,431,196
Bank B		190,001	190,001
Sub- total		24,062,574.30	37,621,197.00
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total		-	-
Grand total		24,062,574.30	37,621,197.00

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8. Receivables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Current Receivables		
Accrued interest on delayed recoverables -Car Loan	80,763	24,902
Accrued interest on delayed recoverables -Mortgage	471,567	65,643
Sub-total	552,330	90,545.00
Current Loan Repayment due(County Assembly June 2018 payroll)-Car Loan	-	1,591,123
Current Loan Repayment due(County Assembly June 2018 payroll)-Mortgage	-	1,892,023
Principal Loan due in 12 months - (Car Loan)	21,426,892	18,626,917
Principal Loan due in 12 months - (Mortgage)	32,991,659	21,180,765
Sub-total	54,418,550	43,290,828
Total Current receivables	54,970,880	43,381,373
Non Current receivables		
Principal Loan due After 12 months - (Car Loan)	34,255,088	48,978,385
Principal Loan due After 12 months - (Mortgage)	104,898,943	85,370,008
Adjustment bon opening receivables		(2,525)
Total Non- current receivables	139,154,032	134,345,868
Total receivables from exchange transactions	194,124,911	177,727,241

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Trade and other payables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables(Reef Hotel)	-	232,800
Retention	9,092,763.00	9,216,003
Accrued expenses	1,476,000.00	984,000
Total trade and other payables	10,568,763.00	10,432,803

10. Fund Balances B/f

	Adjustments	2018/2019	2017/2018
		KShs	KShs
Bankl Accounts			
- Family Bank - Fixed		-	103,430,000
- Family Bank - Current		190,001.00	77,945,547
- KCB Bank		37,431,196.00	6,487,495
Accounts receivables		177,729,766.00	12,964,926
Adjustment bon opening receivables			2,525
Accounts Payables		(10,432,803.00)	-
Totals		204,918,160.00	200,830,493

11. Revolving Fund b/f

Revolving Fund Balance b/f	197,430,000
Add: Changes in receivables	
Less: Accumulated Surplus/Deficit b/f	
Revolving Fund b/f	197,430,000

11.1. Accumulated Surplus/Deficit b/f

Fund balances b/f	204,918,160
Add: Changes in receivables	
Less: Revolving fund	197,430,000
Accumulated Surplus/Deficit b/f	7,488,160

12. Changes in Receivables

	2018/2019	2017/2018
	KShs	KShs
Opening Recievables	177,729,766	12,967,451
Closing Recievables	194,124,911	177,729,766
(Increase)/Decrease in Receivales	(16,395,146)	(164,762,315)

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13. Changes in Payables

	2018/2019	2017/2018
	KShs	KShs
Opening Payables	10,432,803	
Closing Payables	10,568,763	10,432,803
Increase/(Decrease in payables)	135,960	10,432,803

14. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
Surplus/ (deficit) for the year before tax	171,779.39	4,087,667.00
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables	(15,633,145.25)	(164,762,315.11)
Increase in payables	1,902,743.00	10,432,803.00
Net cash flow from operating activities	(13,558,622.86)	(150,241,845.11)

15. Related party balances

a) Nature of related party relationships

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

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

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b) Related party transactions

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

c) Key management remuneration

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees		-
Key Management Compensation		-
Total		-

d) Due from related parties

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry		-
Due from County Government		-
Total		-

e) Due to related parties

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

16. Contingent assets and contingent liabilities

Contingent liabilities	2018/2019	2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

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7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

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.



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8. ANNEXES

8.1 ANNEX 1- ANALYSIS OF CAR LOAN RECEIVABLES

COUNTY ASSEMBLY OF KWALE CAR LOANS - CLASSIFICATION OF LONG TERM AND SHORT TERM DEBTORS									
Staff Name	Amount	Months	Started	Ending	LONG Term	SHORT TERM - DUE IN NEXT 12 MONTHS			
					Outstanding Principal Loan C/F	Outstanding Principal Loan C/F	Outstanding Interest C/F	Outstanding Loan C/F	
ALFRED RUWA BAVU	2,250,000.00	50	Oct-17	Nov-21	846,471	597,509		597,509	
ALI MABAVU	1,200,000.00	60	Feb-18	Jan-23	633,942	245,397		245,397	
ANDREW MULEI	2,000,000.00	50	Feb-18	Mar-22	858,278	490,444		490,444	
ANTHONY YAMA	2,000,000.00	55	Oct-17	Apr-22	480,912	262,316		262,316	
ANTONY ODINDO	2,000,000.00	54	Nov-17	Apr-22	754,399	411,490		411,490	
BINTIALI HAMADI KIBAMBA	1,250,000.00	56	Oct-17	May-22	543,794	283,719		283,719	
CHAKA JULIUS NYONDO	450,000.00	60	Nov-17	Oct-22	265,189	113,652	-	113,652	
DANIEL MBINDA	651,000.00	60	May-17	Apr-22	246,771	134,603		134,603	
DENIS MUTUI	3,500,000.00	60	Sep-17	Aug-22	1,808,163	834,537	17,695	852,232	
ELIZABETH MWANGOLO RUWA	2,000,000.00	52	Nov-17	Feb-22	789,022	473,413		473,413	
FATUMA KINGI	1,380,000.00	60	May-18	Apr-23	795,934	280,918		280,918	
FATUMA MASITO	2,350,000.00	53	Oct-17	Feb-22	969,536	581,721		581,721	
FATUMA MWALUPA	2,200,000.00	60	Jan-17	Dec-21	685,989	457,326		457,326	
FELISTUS KALUNGU	1,200,000.00	60	Jul-17	Jun-22	494,920	247,460		247,460	
GUZO MWATERO	900,000.00	60	Dec-16	Nov-21	265,402	187,343		187,343	
HANIFA BADI MWAJIRANI	1,500,000.00	56	Oct-17	May-22	692,022	361,055		361,055	
HASSAN YUSSUF MWASIPHO	2,000,000.00	55	Oct-17	Apr-22	830,776	453,151		453,151	
JAMES DAWA	4,000,000.00	40	Oct-18	Jan-22	1,920,220	1,212,771		1,212,771	
JANET MWANIA	1,050,000.00	60	Dec-16	Nov-21	309,635	218,566		218,566	
JOHN GENYA KALU	1,500,000.00	60	Aug-17	Jul-22	642,834	308,561		308,561	
JOSEPH KITUMBO NDEME	2,000,000.00	45	Oct-17	Jun-21	572,495	572,495		572,495	
JOSEPHAT CHIREMA KOMBO	2,000,000.00	50	Jan-18	Feb-22	845,120	507,072		507,072	
JUMA MAONE	1,345,000.00	52	Nov-17	Feb-22	795,105	477,063	54,067	531,130	
JUMA MASUDI	2,000,000.00	53	Oct-17	Feb-22	775,148	465,089		465,089	
KENETH KITANA	900,000.00	33	Mar-19	Nov-21	527,586	372,414	9,000	381,414	
KHAMISI MOHAMMED	1,350,000.00	60	Dec-16	Nov-21	391,269	276,190		276,190	
LILY UMAZI MKALLA	1,030,000.00	60	Dec-16	Nov-21	303,738	214,403		214,403	
LUCY WAWERU	1,700,000.00	60	Apr-17	Mar-22	614,680	351,246		351,246	
JERUMANI MAKRAA	421,618.00	52	Jul-14	Jul-17	-	421,618		421,618	
MANZA BEJA BENY	2,000,000.00	52	Nov-17	Feb-22	789,022	473,413		473,413	
MARY KALINGA	2,000,000.00	52	Nov-17	Feb-22	789,022	473,413		473,413	
MELDA NYAKITI	1,320,000.00	54	Oct-17	Mar-22	537,436	307,106		307,106	
MERCY NDIRANGU	1,080,000.00	60	Dec-16	Nov-21	318,483	224,811		224,811	
MISHI MAYUMBE	2,000,000.00	52	Nov-17	Feb-22	769,202	461,521		461,521	
MWANAKOMBO B. RASHID	1,150,000.00	60	Sep-17	Aug-22	512,477	236,528		236,528	
MWANASITI SAID MWADZOGOLO	1,470,000.00	29	Oct-17	Feb-20	-	434,806		434,806	
MWANDOTO BIJUMA SAPHATI	1,150,000.00	53	Oct-17	Feb-22	445,710	267,426		267,426	
MWAPHATSA MWANAUBA OMARI	2,000,000.00	53	Oct-17	Feb-22	775,148	465,089		465,089	
MWERUPHE NDORO	2,000,000.00	56	Sep-17	Apr-22	729,861	398,106		398,106	
MWINYI BURDAI	2,000,000.00	53	Oct-17	Feb-22	775,148	465,089		465,089	
MWINYI KHALFANI MWASERA	2,350,000.00	56	Oct-17	May-22	1,030,233	537,513		537,513	
NASSORO B. MGUTTA	2,000,000.00	52	Nov-17	Feb-22	789,022	473,413		473,413	

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CAR LOANS - CLASSIFICATION OF LONG TERM AND SHORT TERM DEBTORS (CONTINUED)

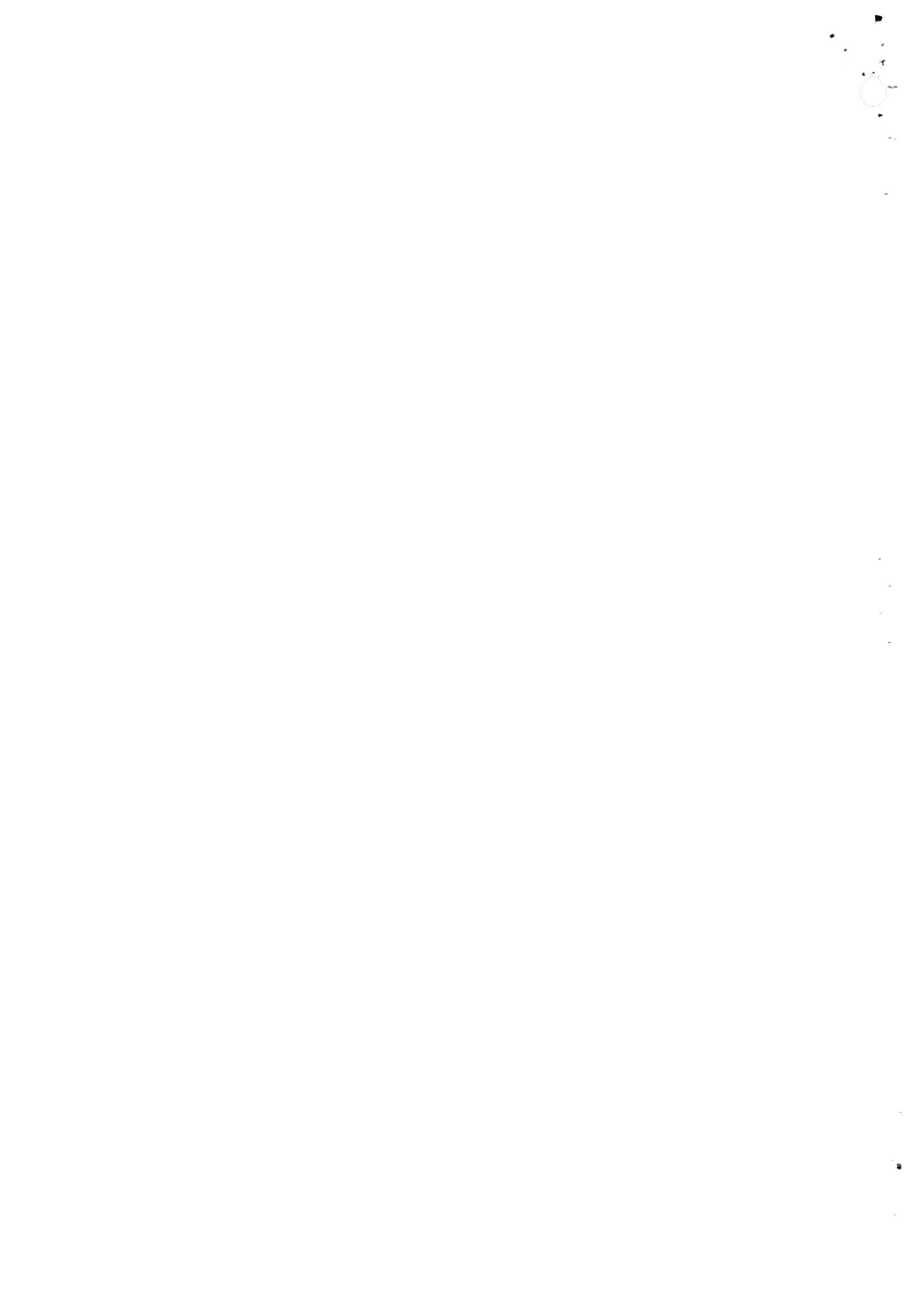
PATRICK MANGALE	2,000,000.00	53	Oct-17	Feb-22	775,148	465,089		465,089
PAUL MWALONYA	1,393,000.00	60	Dec-16	Nov-21	410,783	289,965		289,965
PHILIP ZIRO	1,800,000.00	60	Aug-17	Jul-22	771,347	370,247		370,247
POKEA BAKARI SIKUKUU	2,000,000.00	55	Oct-17	Apr-22	830,776	453,151		453,151
RAIA MKUNGU	2,000,000.00	55	Sep-17	Mar-22	871,685	498,106		498,106
SAIDI SAIDI MAGANGA	1,600,000.00	60	Oct-18	Sep-23	1,051,825	323,639		323,639
SALYA MBOTO	800,000.00	60	Feb-17	Jan-22	286,193	180,754		180,754
SAWA HAMISI NGALAA	1,440,000.00	50	Dec-16	Jan-21	31,444	53,904		53,904
SULEIMAN NZALA	2,000,000.00	53	Oct-17	Feb-22	775,148	465,089		465,089
SWALEH B. SIMBA	1,345,000.00	52	Nov-17	Feb-22	530,620	318,372		318,372
SWALEH B. SIMBA	421,618.00	52	Jul-14	Jul-17	-	421,618		421,618
TERESIA B MUOKI	1,600,000.00	30	Oct-17	Mar-20	-	493,183		493,183
	89,047,236.00				34,255,088	21,364,892	80,763	21,445,654



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8.2 ANNEX 2-ANALYSIS OF MORTGAGE RECEIVABLES

COUNTY ASSEMBLY OF KWALE								
MORTGAGE LOANS - CLASSIFICATION OF LONG TERM AND SHORT TERM DEBTORS								
Staff Name	Amount	Months	Started	Ending	LONG Term	SHORT TERM - DUE IN NEXT 12		
					Outstanding Principal Loan C/F	Outstanding Principal Loan C/F	Outstanding Interest C/F	Outstanding Loan C/F
ALFRED RUWA BAVU	2,100,000.00	42	Nov-18	Apr-22	1,169,574	637,950		637,950
ALI MASEMO	7,000,000.00	240	Dec-18	Nov-38	6,538,045	355,007		355,007
ANDREW MULEI	3,000,000.00	50	Feb-18	Mar-22	1,287,416	735,667		735,667
ANTHONY YAMA	3,000,000.00	52	Jan-18	Apr-22	1,518,526	828,287		828,287
ANTONY ODINDO	2,500,000.00	40	Dec-18	Mar-22	1,418,277	810,444		810,444
BINTIALI HAMADI KIBAMBA	3,400,000.00	49	Mar-18	Mar-22	1,486,934	849,677		849,677
CELLINE LUSWETI	5,000,000.00	53	May-18	Sep-22	2,592,571	1,152,254		1,152,254
ELIZABETH MWANGOLO RUWA	3,000,000.00	44	Oct-18	May-22	1,584,513	826,703		826,703
FATUMA MASITO	2,650,000.00	47	Jun-18	Apr-22	1,258,523	686,467		686,467
HAMIS MOHAMED OMAR	3,500,000.00	43	Oct-18	Apr-22	1,874,175	1,022,277		1,022,277
HANIFA BADI MWAJIRANI	3,000,000.00	48	May-18	Apr-22	1,434,395	782,397		782,397
HAPPY SAMINI	3,200,000.00	240	Jun-19	May-39	3,039,331	160,669	8,000	168,669
HASSAN YUSSUF MWASIPHO	3,000,000.00	47	May-18	Mar-22	1,406,111	803,492		803,492
JOHN NANGINYI	3,000,000.00	240	Mar-19	Feb-39	2,847,458	152,542	30,000	182,542
JOSEPH KITUMBO NDEME	3,000,000.00	47	Jun-18	Apr-22	1,471,310	802,533		802,533
JOSEPH R. ZECHA	4,000,000.00	240	Jul-18	Jun-38	3,654,763	203,042		203,042
JOSEPH TSUMA DANDA	5,000,000.00	47	Apr-18	Feb-22	2,309,720	1,385,832		1,385,832
JOSEPHAT CHIREMA KOMBO	2,000,000.00	32	Jun-19	Jan-22	1,225,806	774,194	5,000	779,194
JUMA MAONE	3,000,000.00	50	Jan-18	Feb-22	1,875,000	1,125,000	285,000	1,410,000
JUMA MASUDI	3,000,000.00	54	Nov-17	Apr-22	1,253,667	683,819		683,819
LUCY WAWERU	6,500,000.00	240	Apr-18	Mar-38	5,943,182	334,827		334,827
MARY KALINGA	3,000,000.00	49	Mar-18	Mar-22	1,312,001	749,715		749,715
MISHI MAYUMBE	3,000,000.00	49	Mar-18	Mar-22	1,312,001	749,715		749,715
MWAKARIBU H. MWAKARIBU	5,000,000.00	52	Jun-18	Sep-22	2,662,825	1,183,478		1,183,478
MWANASITI SAID MWADZOGOLO	3,000,000.00	49	Apr-18	Apr-22	1,372,711	748,752		748,752



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MORTGAGE LOANS - CLASSIFICATION OF LONG TERM AND SHORT TERM DEBTORS (CONTINUED)

MWANDOTO BIJUMA SAPHATI	3,000,000.00	48	May-18	Apr-22	1,399,516	763,372		763,372
MWAPHATSA MWANAUBA OMARI	3,000,000.00	48	May-18	Apr-22	1,399,516	763,372		763,372
MWAZANI MKULU	4,700,000.00	204	May-19	Apr-36	4,420,792	279,208	23,500	302,708
MWERUPHE NDORO	3,000,000.00	54	Nov-17	Apr-22	1,283,779	700,243		700,243
MWINYI KHALFANI MWASERA	2,650,000.00	47	Apr-18	Feb-22	1,224,152	734,491		734,491
NASSORO B. MGUTTA	1,500,000.00	44	Sep-18	Apr-22	777,877	424,296		424,296
OMAR KITENGELE	2,000,000.00	42	Nov-18	Apr-22	1,113,880	607,571		607,571
PHILIP ZIRO	2,400,000.00	125	Aug-18	Dec-28	2,025,971	238,350		238,350
POKEA BAKARI SIKUKUU	3,000,000.00	47	May-18	Mar-22	1,406,111	803,492		803,492
RAIA MKUNGU	3,000,000.00	43	Oct-18	Apr-22	1,561,680	851,826		851,826
SAIDI SAIDI MAGANGA	12,000,000.00	156	Apr-19	Mar-32	11,405,920	970,717	90,000	1,060,717
SAMMY RUWA	12,000,000.00	50	Feb-18	Mar-22	5,149,666	2,942,666		2,942,666
SULEIMAN NZALA	3,000,000.00	50	Jan-18	Feb-22	1,266,053	759,632		759,632
SWALEH B. SIMBA	3,000,000.00	50	Feb-18	Mar-22	1,307,614	747,208		747,208
TERESIA B MUOKI	3,400,000.00	48	Mar-18	Feb-22	1,539,970	923,982		923,982
WILLIAM MJAPE	12,500,000.00	240	May-18	Apr-38	11,388,109	638,586	30,067	668,652
YUSSUF HASSAN MBWANA	5,000,000.00	54	Nov-17	Apr-22	2,379,503	1,297,911		1,297,911
	167,000,000.00				104,898,943	32,991,659	471,567	33,463,226



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8.3 ANNEX 3-ANALYSIS OF SCHEDULE OF RETENTION

SCHEDULE OF RETENTION MONIES						
Name of Beneficiary	Approved Loan	Disbursed	Retention B/F (01.07.2018)	Retention in the year	Retention Paid in the year	Retention C/F(30.06.201 9)
Fatuma Masito	2,650,000.00	2,450,000.00	200,000.00		200,000.00	-
Yusuf Mwasipho	3,000,000.00	2,800,000.00	200,000.00		200,000.00	-
Bintali Kibamba	3,400,000.00	3,000,000.00	400,000.00		400,000.00	-
Hamisi Mwakaribu	5,000,000.00	4,200,000.00	800,000.00		500,000.00	300,000.00
Joseph Danda	5,000,000.00	4,500,000.00	500,000.00		500,040.00	(40.00)
Sammy Ruwa	12,000,000.00	11,000,000.00	1,000,000.00		650,000.00	350,000.00
William Mjape	12,500,000.00	11,233,000.00	1,267,000.00		1,267,000.00	-
Jackson Ndoro	3,000,000.00	2,799,997.00	200,003.00			200,003.00
Juma Masudi	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Yusuf Mbwana	5,000,000.00	4,550,000.00	450,000.00			450,000.00
Juma Maone	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Suleiman Nzalla	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Anthony Yama	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Andrew Mulei	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Swaleh Simba	3,000,000.00	2,900,000.00	100,000.00			100,000.00
Teresia Muoki	3,400,000.00	3,000,000.00	400,000.00			400,000.00
Merry Kalinga	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Mishi Mayumbe	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Mwanasiti Mwadzogolo	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Lucy Waweru	6,500,000.00	6,265,000.00	235,000.00			235,000.00
Mwinyi Mwasera	2,650,000.00	2,450,000.00	200,000.00			200,000.00
Sikukuu Pokea	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Hanifa Badi	3,000,000.00	2,618,000.00	382,000.00			382,000.00
Mwanauba Mwaphatsa	3,000,000.00	2,618,000.00	382,000.00			382,000.00
Bijuma Mwandoto	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Cellin Lusweti	5,000,000.00	4,700,000.00	300,000.00			300,000.00



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SCHEDULE OF RETENTION MONIES (CONTINUED)

Joseph Kitumbe	3,000,000.00	2,800,000.00	200,000.00			200,000.00
Philip Ziro	2,400,000.00	2,200,000.00		200,000.00	86,200.00	113,800.00
Ali Masemo	7,000,000.00	6,500,000.00		500,000.00	500,000.00	-
Joseph Zecha	4,000,000.00	3,600,000.00		400,000.00		400,000.00
Nassoro Mguta	1,500,000.00	1,400,000.00		100,000.00		100,000.00
Elizabeth Mwangolo	3,000,000.00	2,800,000.00		200,000.00		200,000.00
Hamisi Mohamed	3,500,000.00	3,200,000.00		300,000.00		300,000.00
Alfred Bavu	2,100,000.00	1,900,000.00		200,000.00		200,000.00
Omar Kitengele	2,000,000.00	1,800,000.00		200,000.00		200,000.00
Anthony Oloo Odindo	2,500,000.00	2,300,000.00		200,000.00		200,000.00
Mwazani Mkulu	4,700,000.00	3,500,000.00		1,200,000.00		1,200,000.00
Saidi Maganga	12,000,000.00	11,720,000.00		280,000.00		280,000.00
Chirema Kombo	2,000,000.00	1,800,000.00		200,000.00		200,000.00
Happy Samini	3,200,000.00	3,000,000.00		200,000.00		200,000.00
				-		-
				-		-
	161,000,000.00	147,603,997.00	9,216,003.00	4,180,000.00	4,303,240.00	9,092,763.00

