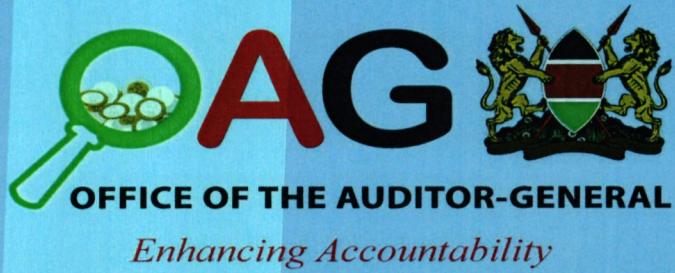


REPUBLIC OF KENYA



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**CO-OPERATIVE SOCIETIES  
LIQUIDATION FUND**

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

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30094 - 00100, NAIROBI  
REGISTRY

27 MAY 2021

RECEIVED



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**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES  
AND CO-OPERATIVES**

**STATE DEPARTMENT FOR CO-OPERATIVES**

**CO-OPERATIVE SOCIETIES LIQUIDATION ACCOUNT**

**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)

**COOPERATIVE SOCIETIES LIQUIDATION FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

### **Ministry of Agriculture, Livestock, Fisheries and cooperatives.**

According to the Presidential Circular No. 1/2016 of May 2016 the main objective of the Ministry is to propel Kenya towards becoming a leading Industrial Hub and the most attractive investments destination in the region, thereby creating wealth and employment for Kenyans. The Ministry of Agriculture, Livestock, Fisheries and Cooperatives has three State Departments and several State Agencies that support the implementation of its mandate. They include the State Department for Agriculture, the State Department for Cooperatives, the State Department of fisheries and the state department for Livestock.

### **MANDATE**

The State Department of Co-operatives was established under the Ministry of Industry, Trade and Co-operatives through the Presidential Circular No. 1/2016 of May 2016. Previously, it existed as a department within the Ministry of Industrialization and Enterprise Development. The Presidential Circular which established the State Department spells out its mandate to include the following:

- a) Co-operative Policy and Implementation
- b) Co-operative Financing Policy
- c) Co-operative Legislation and Support Services
- d) Co-operative Education and training
- e) Co-operative Governance
- f) Co-operative Production, Marketing and Value Addition
- g) Promotion of Co-operative Ventures
- h) Co-operative Audit services
- i) Co-operative Savings, Credit and other Financial Services Policy

## **Principal Activities**

The principal activity of the fund is the management of liquidation of Sacco's account

## **Vision**

“The fund of choice for staff.”

## **Mission**

“A globally competitive and sustainable co-operative sector

## **Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

## **j) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Ali Noor Ismail, CBS	Accounting Officer
2	Geoffrey Njang'ombe	Ag. Commissioner
3	Javel Murira	Ag. Director Cooperative Audit
4	Peter Mokobo	Deputy Accountant General

## **k) Registered Offices**

P.O. Box 30547-00100  
NSSF Building  
**Bishop Road**  
Nairobi, KENYA

## **l) Fund Contacts**

Telephone: (254) 020-273531-9  
E-mail: ps.ushirika@gmail.com  
Website: [www.go.ke](http://www.go.ke)

## **m) Fund Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**n) Independent Auditors**

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

**o) Principal Legal Adviser**

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

## 2. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, the Cooperative liquidation fund financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year.

### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

### **Review of performance**

#### **Income**

The fund earned revenues amounting to KShs. 196,051,698 from liquidation activities.

#### **Expenditures**

The total expenditures during the period amounted to Kshs.123,734,357 representing 98.63 %.

### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the state department of co-operative Liquidation Fund, development partners, stakeholders, management and staff for their continued support which made us achieve these results.

I look forward to your continued support in the year 2019/2020.

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



Ali Noor Ismail, CBS  
**Principal Secretary**

### **3. REPORT OF THE FUND ADMINISTRATOR**

#### **Financial Performance**

FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Liquidation Fund continues on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank all staff who we have worked hand in hand to ensure that Management and supervision Fund achieves its mission.

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



**Geoffrey Njang'ombe**  
**Ag. Commissioner Co-operative Development**

## **4. CORPORATE GOVERNANCE STATEMENT**

### **STATEMENT OF COMPLIANCE**

The fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

#### **Internal Control**

The management are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

#### **Strategic Plan**

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

#### **Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis.

**Management Team**

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

**Auditor**

The fund is audited by the Auditor-General.

## **5. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff with an established 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.196, 051,698 from Liquidation activities. The fund remained liquid throughout the year experiencing high liquidity towards the end of the financial year due to increased collections from staff and support from the development partners.

#### **Cash flow**

The cash and cash equivalents was Kshs 72,317,339.

### **OPERATIONAL PERFORMANCE**

The fund has increased collections from liquidation activities which have added to the fund's better performance.

## **6. REPORT OF THE ADMINISTRATOR**

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

### **Principal activities**


The principal activity of the Fund is to manage liquidation account

### **Results**

The results of the Fund for the year ended 30 June 2019 are set out on pages 13 to 23.

### **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.

  
**Geoffrey Njang'ombe**  
**Ag. Commissioner Co-operative Development**

Date: 20/06/2021

## 7. 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 Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the 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. 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, 2019, 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.

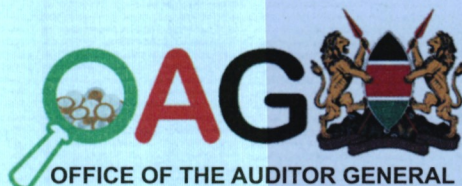
In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator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

### Approval of the financial statements

The Fund's financial statements were approved by the Accounting officer on 20/01/2021 2019 and signed on its behalf by:

  
\_\_\_\_\_  
Ali Noor Ismail, CBS  
Principal Secretary

# REPUBLIC OF KENYA



*Enhancing Accountability*

Telephone: +254-(20) 3214000  
Email: 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 CO-OPERATIVE SOCIETIES LIQUIDATION FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Co-operative Societies Liquidation Fund set out on pages 13 to 23, which comprise the statement of financial position as at 30 June, 2019 and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### **1. Failure to Submit Financial Statements**

The Management of the Fund did not prepare and submit for audit the financial statements and did not maintain the books of accounts for the Co-operative Societies Liquidation Fund for nine (9) years ended 30 June, 2004 to 30 June, 2012. This was contrary to the requirements of Section 19(3) of Co-operative Societies Act which requires the Fund to be audited annually by the Auditor-General.

Under the circumstances, the accuracy of the opening balances could not be confirmed.

##### **2. Late Submission of Financial Statements**

The financial statements of the Fund for the financial years ended 30 June, 2013 to 30 June, 2019 were submitted for audit on 24 February, 2020 contrary to the provisions of Section 68 (2) (k) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare annual financial statements for each financial year within three months after the end of the financial year.

### **3. Unresolved Prior Year Matters**

#### **3.1 Unsupported Balances**

The statement of financial position of the Fund submitted for the year ended 30 June, 2019 reflected NIL balances for cash and cash equivalents and liquidation fund – capital and all the other balances. No supporting documents including the cash book, ledgers, trial balance and bank confirmation certificates were provided by the Management for audit verification.

In the circumstances, the accuracy of the financial statements could not be confirmed.

#### **3.2 Incomplete Set of Financial Statements**

Paragraph 21 (d) of International Public Sector Accounting Standards No. 1 provides that a complete set of financial statements includes a cash flow statement. However, the financial statements for the year ended 30 June, 2019 provided for audit did not include a cash flow statement.

Under the circumstances, the set of financial statements presented for audit was incomplete.

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

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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.

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

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

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

**Nairobi**

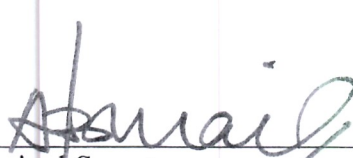
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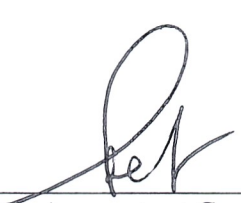
## 9. FINANCIAL STATEMENTS

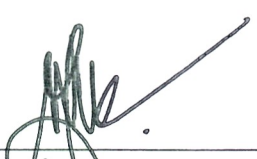
### 9.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019

	Note	FY2018/2019	FY2017/2018
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Liquidation fees	1	196,051,696	-
<b>Total revenue</b>		<b>196,051,696</b>	-
<b>Expenses</b>			
Liquidation transfer	2	123,734,357	-
<b>Total expenses</b>		<b>123,734,357</b>	-
<b>Surplus/( deficit) for the period</b>		<b>72,317,339</b>	-

The notes set out on pages 18 to 23 form an integral part of these Financial Statements.

  
Principal Secretary  
Name: Ali Noor Ismail, CBS

  
Deputy Accountant General  
Name: CPA Peter Mokobo  
ICPAK Number: 4097

  
Geoffrey Njang'ombe  
Ag. Commissioner for Co-operative Development

**COOPERATIVE SOCIETIES LIQUIDATION FUND**

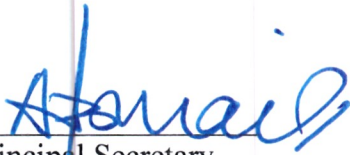
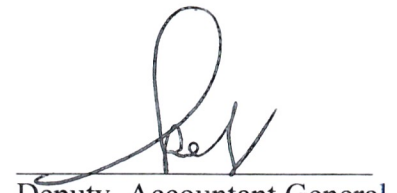
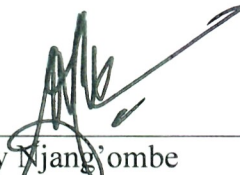
**Reports and Financial Statements**

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

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

	Note	FY2018/2019	FY2017/2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	72,317,339	-
<b>Total assets</b>		<b>72,317,339</b>	-
<b>Financed by;</b>			
Reserves		-	-
Accumulated surplus		-	-
<b>Total equity</b>		<b>72,317,339</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2021 and signed by:

  
Principal Secretary  
Name: Ali Noor Ismail, CBS  
Deputy Accountant General  
Name: CPA Peter Mokobo  
ICPAK Number: 4097  
Geoffrey Njani  
Ag. Commissioner for Co-operative Development

**COOPERATIVE SOCIETIES LIQUIDATION FUND**

**Reports and Financial Statements**

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

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**9.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	<b>Fund Account</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs</b>
<b>Closing Balance as at June 30th</b>	<b>72,317,339</b>	<b>72,317,339</b>
Funds received/paid out during the year omitted	-	-
Revaluation gain	-	-
<b>Closing Balance for 2018/2019 FY</b>	<b>72,317,339</b>	<b>72,317,339</b>

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

	Note	FY2018/2019	FY2017/2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Liquidation income	1	196,051,696	-
<b>Total Receipts</b>		<b>196,051,696</b>	-
<b>Payments</b>			
Fund administrative expenses	2	-	-
Liquidation transfer	3	(123,734,357)	-
<b>Less Total Payments</b>		<b>(123,734,357)</b>	-
<b>Net cash flows from operating activities</b>		<b>72,317,339</b>	-
			-
Purchase of property, plant, equipment and intangible assets		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 JULY	4	-	-
<b>Cash and cash equivalents at 30 JUNE</b>		<b>72,317,339</b>	-

Principal Secretary  
Name: Ali Noor Ismail, CBS

Deputy Accountant General  
Name: CPA Peter Mokobo  
ICPAK Number: 4097

Geoffrey Njanguombe  
Ag. Commissioner for Co-operative Development

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

	Original budget 2019	Adjustments 2019	Final budget 2019	Actual on comparable basis 2019	Performance difference 2019	% utilisation 2018
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Liquidation Income				196,051,696		
<b>Total income</b>				<b>196,051,696</b>		
<b>Expenses</b>						
Liquidation Transfer				123,734,357		
Fund admin expenses						
<b>Total expenditure</b>				<b>123,734,357</b>		
<b>Surplus for the period</b>				<b>72,317,339</b>		

**COOPERATIVE SOCIETIES LIQUIDATION FUND**

**Reports and Financial Statements**

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

**9.6. 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 2018**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

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

**c) Early adoption of standards**

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

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

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

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

**4. Nature and purpose of reserves**

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

**5. 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.

**6. Cash and cash equivalents**

. Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

**7. Events after the reporting period**

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

**8. Currency**

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

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

**9. 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.

**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

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**9.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Liquidation Transfer Fees**

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Liquidation fee	196,051,696	-
<b>Total</b>	<b>196,051,696</b>	<b>-</b>

**2. Fund Admin expenses**

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Travelling and Subsistence	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**3. Transfers to beneficiaries**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
POSTA INVESTMENT	28,939,480	-
NAWIRI SACCO	1,350,277	-
TELEPOSTA SACCO	93,444,600	-
<b>Total</b>	<b>123,734,357</b>	<b>-</b>

**4. Cash and cash equivalents**

Description	FY2018/2019	FY2017/2018
	Kshs	Kshs
Cash at bank	72,317,339	-
<b>Total cash and cash equivalents</b>	<b>72,317,339</b>	<b>-</b>

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

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**NOTES PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Other matter – Non-Compliance	Financial Statement are ready for Audit review	Director Cooperative Auditor.	In progress	