



*Enhancing Accountability*

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LAMU COUNTY FISHERIES  
DEVELOPMENT REVOLVING FUND**

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

DATE	21/11/2021
TABLED BY	Deputy Senate Clerk
COMMITTEE	Karaka m.
CLERK AT THE TABLE	
PAPERS LAID	



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**LAMU COUNTY FISHERIES DEVELOPMENT REVOLVING FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*Lamu County Fisheries Development Revolving Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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For the year ended June 30, 2019**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Lamu County Fisheries Development was established by an Act of the County Assembly of Lamu Act No.3, 2015. The Act makes provisions for the establishment of the Lamu County Fisheries Development Agency, and make provision for the Revolving Fund to enhance access to loans, fishing fleet and fisheries inputs, by the fishermen, fish traders, fish farmers and other persons involved in the fisheries business within the County. To promote avenues for wealth creation through creation of employment and enhance the County's economic development. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

**b) Principal Activities**

The agency shall be responsible for:-

- ❖ Advising the County Government of Lamu on policy matters related to the fisheries development
- ❖ Management of the Fisheries Revolving Fund on behalf of the County Government of Lamu
- ❖ Advising fishing communities on how to maximise the economic returns from fishing activity and Promote value addition activities
- ❖ Promote development of new fishery products and Link fishers with local, regional and international markets

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

Ref	Name	Position
1	H. E Fahim Yasin Twaha	Governor
2	H. E Abdulhakim Aboud	Deputy Governor
3	Mr Ahmed Mohamed Hemed	CECM-Finance
4	Ms Fahima Arafat	CECM –Lands

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

**d) Key Management**

Ref	Name	Position
1	Mr. Simon Komu	Chief Officer Fisheries
2	Mr. Ali Ahmed Mohamed	Director Fisheries
3	Mr. Ahmed Mohamed Hemed	CECM - Finance
4	Mrs. Fatma Said Abdalla	Chief Officer Finance
5	Mr. Mohamed Shee	Head of Internal Audit

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**a) Registered Offices**

County Government of Lamu Headquarters  
P.O. Box 74- 80500  
Mokowe, Lamu

**b) Fund Contacts**

Telephone: (254) 715555111/772576122  
E-mail: [treasury@lamu.go.ke](mailto:treasury@lamu.go.ke)  
Website: [www.lamu.go.ke](http://www.lamu.go.ke)

**c) Fund Bankers**

Gulf African BBank  
Lamu Branch  
P.O. Box 191- 80500  
Lamu-Kenya.

**d) Independent Auditors**




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

**e) Principal Legal Adviser**

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

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

Name	Details of qualifications and experience
 <p>H. E Fahim Yasin Twaha <b>GOVERNOR</b></p>	<ul style="list-style-type: none"> <li>• He Possess a Degree in Economics and Masters in MBA</li> <li>• Veteran politician with over 21 years' experience in leadership and governance</li> <li>• He has served Lamu people for a period of fifteen (15) years in his capacity as a Member of Parliament, Lamu West Constituency and as an Assistant Minister Natural Resource</li> <li>• Appointed by Council of Governors as the Chairman of cooperatives &amp; Enterprise Development.</li> </ul>
 <p>H. E Abdulhakim Aboud <b>Deputy Governor</b></p>	<ul style="list-style-type: none"> <li>• He holds Masters Degree in Education (Management), Bachelor Degree in Education and Diploma in Education.</li> <li>• He served in the Electoral Commission for 7 (seven) years from 2010 to 2017 as Senior Election Manager</li> <li>• He was a high school teacher at Mpeketoni Secondary School and a founding principal of Kizingitini Secondary School.</li> <li>• He has undertaken various capacity building courses and is knowledgeable in areas of Community Development, Strategic Management and Conflict Resolution, Financial Planning, Performance Appraisal, Human Resource, Resources Mobilization and Inter-governmental Relations.</li> </ul>
 <p>Mr Ahmed M Hemed <b>CECM-Finance</b></p>	<ul style="list-style-type: none"> <li>• Holds Bachelor of Education from Kenyatta University and a primary (P1) certificate from Machakos Teacher College.</li> <li>• He has extensive public service experience having started as a primary school teacher.</li> <li>• Previously he served as the Town Clerk in Chuka and Malindi Municipal Council and Lamu County Council.</li> <li>• Before his appointment he was a Deputy County Secretary in Tharaka Nithi County.</li> </ul>



**Ms Fahima Arafat**  
**CECM –Lands**

- Fahima Arafat Abdalla born in 1992 in Shella ward , Lamu county.
- Holds a Bachelor of Commerce (Accounting) from Kenyatta University.
- Holds a Senior Management Course Certificate (Kenya School of Government).
- Holds a Certificate in Dispute Resolution as Third Party Neutral from the Ottawa based Canadian Institute for Conflict Resolution (CICR).
- Currently pursuing a Master of Arts in Project Planning and Management at the University of Nairobi (ongoing graduating December 2017).
- Before her appointment she worked at Shella as a Ward Administrator

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**3. FUND CHAIRPERSON'S REPORT**

In our pursuit to improve on transparency and accountability in public financial management I present the 2018/2019 of the financial year report for the Lamu County Fisheries Development Revolving Fund. The Lamu County Fisheries Development Revolving Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws. In addition the County Treasury will Endeavour to comply with the Lamu County Fisheries Development Revolving Fund Act, 2015. The Lamu County Fisheries Development Revolving Fund financial statements for the Financial Year ended 30th June, 2019 provide in summary statements of receipts and payments, Assets and Liabilities and Statements of Cash flows.

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



Mr. Simon Komu

**CHIEF OFFICER-FISHERIES AND CO-OPERATIVE DEVELOPMENT**

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

In our pursuit to improve on transparency and accountability in public financial management I present the 2018/2019 of the financial year report for the Lamu County Fisheries Development Revolving Fund. The Lamu County Fisheries Development Revolving Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws. In addition the County Treasury will Endeavour to comply with the Lamu County Fisheries Development Revolving Fund Act, 2015. The Lamu County Fisheries Development Revolving Fund financial statements for the Financial Year ended 30th June, 2019 provide in summary statements of receipts and payments, Assets and Liabilities and Statements of Cash flows.

The Government intends to change the Revolving Fund into a grant through the County Assembly.

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



Ahmed Mohamed  
**FUND ADMINISTRATOR**

**5. CORPORATE GOVERNANCE STATEMENT**

Since Financial Year 2017/18 when the County had general elections we had a change of Government at the County level. The Fund was inactive during the year; hence no major activities took place during the year.

## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

In our pursuit to improve on transparency and accountability in public financial management I present the 2018/2019 of the financial year report for the Lamu County Fisheries Development Revolving Fund. The Lamu County Fisheries Development Revolving Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws. In addition the County Treasury will Endeavour to comply with the Lamu County Fisheries Development Revolving Fund Act, 2015. The Lamu County Fisheries Development Revolving Fund financial statements for the Financial Year ended 30th June, 2019 provide in summary statements of receipts and payments, Assets and Liabilities and Statements of Cash flows.

The Government intends to change the Revolving Fund into a grant through the County Assembly.

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

There were no Corporate Social Responsibility activities undertaken by the fund during FY-2018/19.

## **8. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Fund affairs.

### **Principal activities**

- ❖ Advising the County Government of Lamu on policy matters related to the fisheries development
- ❖ Management of the Fisheries Revolving Fund on behalf of the County Government of Lamu
- ❖ Advising fishing communities on how to maximise the economic returns from fishing activity and Promote value addition activities
- ❖ Promote development of new fishery products and Link fishers with local, regional and international markets

### **Results**

The results of the Fund for the year ended June 30, 2019 are set out on page 15

### **Trustees**

The members of the Board of Trustees who served during the year are shown on page 3. There was no changes during the period.

### **Auditors**

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

By Order of the Board

Member of the Fund

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

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

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of revenue and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board (PSASB).In addition Section 115(1) & (2) of the PFM Act,2012 requires the County Government not later than three months after end of each financial year, prepare and submit to the Auditor General financial statements in respect of the Lamu County Fisheries Development Revolving Fund for Financial 2018/19.

The Chief Officer for Fisheries is responsible for the preparation and presentation of the County Fisheries Development Revolving Fund financial statements, which give a true and fair view of the state of affairs of the County Executive 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 County Executive; (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 County Executive; (v) Selecting and applying appropriate accounting policies and (vi) Making accounting estimates that are reasonable in the circumstances.

The Chief Officer Fisheries accepts responsibility for the Lamu County Fisheries Development Revolving Fund financial statements, which have been prepared on the accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS).The Chief Officer for fisheries is of the opinion that the Lamu County Fisheries Development Revolving Fund financial statements give a true and fair view of the state of the County Emergency transactions during the financial year ended June 30, 2018, and of its financial position as at that date. The Chief Officer for fisheries further confirms the completeness of the accounting records maintained for the Lamu County Fisheries Development Revolving Fund which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control. The Chief Officer for fisheries confirms that the Lamu County Fisheries Development Revolving Fund financial statements has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Lamu County Fisheries Development Revolving Fund funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further The Chief Officer for fisheries confirms that the Lamu County Fisheries Development Revolving Fund financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements The County Fisheries Development Revolving Fund's financial statements were approved and signed by the Chief Officer Fisheries on 27<sup>th</sup> Sept 2019

  
\_\_\_\_\_  
Mr. Simon Komu

**CHIEF OFFICER-FISHERIES AND CO-OPERATIVE DEVELOPMENT**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY FISHERIES DEVELOPMENT REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Lamu County Fisheries Development Revolving Fund set out on pages 14 to 44, which comprise of the statement of financial position as at 30 June, 2019, and the 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 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 Lamu County Fisheries Development Revolving Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Lamu County Fisheries Development Act, 2015.

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

##### **1. Undisclosed Receivables (Loans)**

A review of records provided for audit revealed that pursuant to Section 11 of the Lamu County Fisheries Development Act, 2015 the Fund purchased one hundred and fifteen (115) boat engines at a cost of Kshs.25,760,000 and issued them to fishermen on loan basis during the financial year 2015/2016. However, the loan repayment schedules provided indicated that the last loan repayments made by the beneficiaries were in July, 2017 totalling to Kshs.2,359,500. As a result, loans amounting to Kshs.23,400,500 had not been repaid as at the time of audit and there was no evidence provided to show that the Management had put in place strategies to recover the outstanding loans as provided under Section 14 of the Lamu County Fisheries Development Act, 2015.

Further, the outstanding loan balances amounting to Kshs.23,400,500 were not reflected in the financial statements.

In the circumstances, the accuracy of the nil balances reflected in the statement of financial position for the current portion of long-term receivables from exchange transactions and for long-term portion of borrowings could not be confirmed.

## **2. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.2,792,904. However, the Fund Administrator did not maintain cash books showing the receipts and payments and did not prepare monthly bank reconciliation statements as required under Regulations 100 and 90 of the Public Finance Management (County Governments) Regulations, 2015.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.2,792,904 could not be confirmed.

## **3. Accuracy of Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.2,799,736 which differs with the nil revenue balance reflected in the statement of financial performance by Kshs.2,799,736. No reconciliation or explanations were provided. In addition, the statement reflects actual expenditure of Kshs.6,832 against budgeted expenditure of Kshs.2,799,736 resulting into a difference of Kshs.2,792,904 or 99.8% implying dormancy.

The accuracy of the statement could therefore not be confirmed

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section

of my report, based on the audit procedures performed, 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**

#### **Dormant Fund**

As reflected in the financial statements, other than bank charges of Kshs.6,832 incurred in the financial year 2018/2019, the Fund did not report any other activity. It could therefore not be confirmed that the Fund executed its functions and responsibilities as outlined under Section 4 of the Lamu County Fisheries Development Act, 2015.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

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

#### **Responsibilities of Management and the Board of Trustees**

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

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of intention to either terminate the Fund or cease operations.

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide 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**

**14 October, 2021**

*Lamu County Fisheries Development Revolving Fund*  
**Reports and Financial Statements**  
For the year ended June 30, 2019

**11. FINANCIAL STATEMENTS**

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

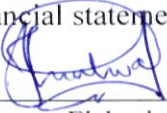
	Note	2018/2019	2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfer from county Governmnet	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	-	259,110
		-	-
<b>Total revenue</b>		-	<b>259,110</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
General expenses	8	6,832	6,086
Finance costs	9	-	-
<b>Total expenses</b>		<b>6,832</b>	<b>6,086</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>-6,832</b>	<b>253,024</b>

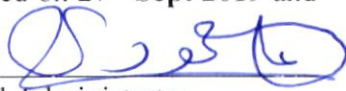
*Lamu County Fisheries Development Revolving Fund*  
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**11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	2,792,904	2,799,736
Current portion of long term receivables from exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		<b>2,792,904</b>	<b>2,799,736</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	11	-	-
		-	-
<b>Total assets</b>		<b>2,792,904</b>	<b>2,799,736</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>		-	-
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>		<b>2,792,904</b>	<b>2,799,736</b>
Revolving Fund		2,799,736	2,546,712
Reserves		-6,832	253,024
Accumulated surplus		-	-
<b>Total net assets and liabilities</b>		<b>2,792,904</b>	<b>2,799,736</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **27<sup>th</sup> Sept 2019** and signed by:

  
 Chief Officer - Fisheries  
 Name: Simon Komu

  
 Fund Administrator  
 Name: Ali Ahmed Mohamed

*Lamu County Fisheries Development Revolving Fund*  
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**For the year ended June 30, 2019**

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	-	-	2,546,712	2,546,712
Surplus/(deficit) for the period	-	-	253,024	253,024
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	-	-	2,799,736.00	2,799,736
<b>Balance as at 1 July 2018</b>	-	-	2,799,736.00	2,799,736
Surplus/(deficit) for the period	-	-	-	-6,832.00
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	2,792,904.00	2,792,904

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

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	-	-
Other Income	5	-	259,110
<b>Total Receipts</b>		-	<b>259,110</b>
<b>Payments</b>			
Fund administration expenses	6	-	-
General expenses	8	6,832	6,086
Finance cost	9	-	-
<b>Total Payments</b>		<b>6,832</b>	<b>6,086</b>
<b>Net cash flows from operating activities</b>		<b>-6,832</b>	<b>253,024</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-6,832</b>	<b>253,024</b>
Cash and cash equivalents at 1 JULY 2018	11	2,799,736	2,546,712
<b>Cash and cash equivalents at 30 JUNE 2019</b>	11	<b>2,792,904</b>	<b>2,799,736</b>

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

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilisation</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Public contributions and donations	-	-	-	-	-	0%
Tax Received	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Other income	2,799,736	-	2,799,736	2,799,736.00	-	100%
<b>Total income</b>	<b>2,799,736</b>	<b>-</b>	<b>2,799,736</b>	<b>2,799,736</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	-	-	
General expenses	2,799,736	-	2,799,736	6,832	2,792,904	0%
Finance cost	-	-	-	-	-	0%
<b>Total expenditure</b>	<b>2,799,736</b>	<b>-</b>	<b>2,799,736</b>	<b>6,832</b>	<b>2,792,904</b>	<b>0%</b>
<b>Surplus for the period</b>				<b>2,792,904</b>	<b>(2,792,904)</b>	

## 11.5. 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
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Xxx (Indicate actual name of the entity)

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<b>Standard</b>	<b>Effective date and impact:</b>
	<ul style="list-style-type: none"><li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li></ul>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"><li>(a) The nature of such social benefits provided by the entity;</li><li>(b) The key features of the operation of those social benefit schemes; and</li><li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li></ul>

**c) Early adoption of standards**

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Revenue recognition

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

##### **Transfers from other government entities**

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

#### ii) Revenue from exchange transactions

##### **Interest income**

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

### 4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations on the FY 2018/2019 budget following the governing body's approval.

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

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

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

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

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

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

### ***Held-to-maturity***

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

### ***Impairment of financial assets***

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

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

### ***Financial liabilities***

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

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

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

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

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

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

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

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

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

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

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

***Contingent liabilities***

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

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

### ***Contingent assets***

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

### **10. Nature and purpose of reserves**

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

### **11. Employee benefits – Retirement benefit plans**

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

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

### **12. Foreign currency transactions**

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

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

**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 xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

**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**

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

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

**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 and available-for-sale financial investments.

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

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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

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

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

**b) Liquidity risk management**

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

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

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

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

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

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

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

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

**Foreign currency sensitivity analysis**

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

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

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2019: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2018 – KShs xxx)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	2,792,904	2,546,712
Revolving fund	-	-
Accumulated surplus	-	253,024
<b>Total funds</b>	<b>2,792,904</b>	<b>2,799,736</b>
	-	-
Total borrowings	-	-
Less: cash and bank balances	(2,792,904)	(2,799,736)
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

## 11.6. NOTES TO THE FINANCIAL STATEMENTS

### 1. Public contributions and donations

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

### 2. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Tax Revenue	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	-	-

### 3. Fines, penalties and other levies

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

### 4. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	-	-

Xxx (Indicate actual name of the entity)

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**5. Other income**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Repayment From Boat Engines	-	259,110
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	<b>-</b>	<b>259,110</b>

Fund administration expenses

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees Bank Charges	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Staff costs**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	6,832	6,086
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	<b>6,832</b>	<b>6,086</b>

Xxx (Indicate actual name of the entity)

**Reports and Financial Statements**

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

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

**7. Finance costs**

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

**8. Gain/(loss) on disposal of assets**

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

**9. Cash and cash equivalents**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account Gulf Bank	2,792,904	2,799,736
Others	-	-
<b>Total cash and cash equivalents</b>	<b>2,792,904</b>	<b>2,799,736</b>

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

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

		2018/2019	2017/2018
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Gulf African Bank	0570005001	2,792,904	2,799,736
<b>Sub- total</b>		<b>2,792,904</b>	<b>2,799,736</b>
<b>Grand total</b>		<b>2,792,904</b>	<b>2,799,736</b>

**10. Receivables from exchange transactions**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>-</b>	<b>-</b>
<b>Non Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non- current receivables</b>	<b>-</b>	<b>-</b>
<b>Total receivables from exchange transactions</b>	<b>-</b>	<b>-</b>

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

**11. Prepayments**

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

**12. Inventories**

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

Xxx (Indicate actual name of the entity)

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

**13. Property, plant and equipment**

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

Xxx (Indicate actual name of the entity)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets-software

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

15. Trade and other payables from exchange transactions

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

16. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Borrowings

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

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

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

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

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

Xxx (Indicate actual name of the entity)

**Reports and Financial Statements**

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

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

**18. Employee benefit obligations**

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

**19. Cash generated from operations**

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

**20. 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

Xxx (Indicate actual name of the entity)

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

**b) Related party transactions**

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

**c) Key management remuneration**

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

**d) Due from related parties**

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

**e) Due to related parties**

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

**21. Contingent assets and contingent liabilities**

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

*Xxx (Indicate actual name of the entity)*  
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**For the year ended June 30, 2019**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Late Submission of Financial Statements	Capacity	The Fund Administrator	Resolved	FY – 2018/2019
2	Presentation of Financial Statements	Capacity	Head of Financial Reporting and Fund Administrator	Resolved	FY – 2018/2019
3	Cash and Cash Equivalent	Capacity	Fund Administrator and In charge Accountant	Resolved	FY – 2018/2019

**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.