

REPUBLIC OF KENYA

Scanned



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

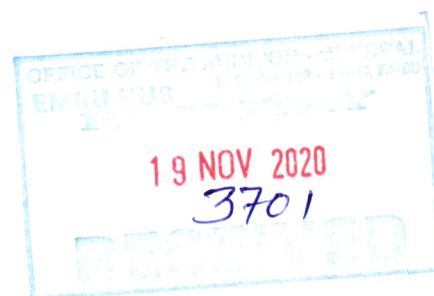
ON

**MARSABIT COUNTY STATE OFFICERS
AND OTHER PUBLIC OFFICERS
MORTGAGE SCHEME FUND**

FOR THE YEAR ENDED

30 JUNE, 2020

PAPERS LAID	
DATE	05/04/2022
TABLED BY	DLM
COMMITTEE	—
CLERK AT THE TABLE	MR. AMOLO



**MARSABIT COUNTY STATE OFFICERS AND OTHER PUBLIC
OFFICERS MORTGAGE SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)	4
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	5
4. MANAGEMENT TEAM	6
5. BOARD/FUND CHAIRPERSON'S REPORT	7
6. REPORT OF THE FUND ADMINISTRATOR	8
7. CORPORATE GOVERNANCE STATEMENT	8
8. MANAGEMENT DISCUSSION AND ANALYSIS	10
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	11
10. REPORT OF THE TRUSTEES	13
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	14
12. REPORT OF THE INDEPENDENT AUDITOR	15
13. FINANCIAL STATEMENTS	16
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2020	16
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	17
13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020	18
13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020	19
13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2020	21
13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	22
13.7. NOTES TO THE FINANCIAL STATEMENTS	37
14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	50

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

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

b) Principal Activities

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

d) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Abdulahi Barako Kuli	Chairperson
2	Hassar. Mohamed Galgalo	Member
3	Galm Waqo Guyo	Secretary
4	Fatuma Nur	Member
5	Sora Jillo Danso	Member

e) Key Management

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

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

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 0716485121
E-mail: info@treasury.marsabit.go.ke
Website: www.marsabit.go.ke

h) Fund Bankers

Equity Bank
Marsabit,
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

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

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

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

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

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

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
PREDETERMINED OBJECTIVES**

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

Introduction

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

The key development objectives of the XXX County Government Entity's 2018-2022 plan are to:

- a) Provide quality physical infrastructure in the County
- b) xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- c) xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- d) xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- e) xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
- f) xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

**Progress on attainment of Strategic development objectives (Adopted from XXXX County-
Customize as per specific county,**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Public Works, Roads & Transport	To develop and maintain roads and storm water drainage to global standards	Increased efficient transportation of people, goods and services	% of motorable and passable roads within the city	In FY 19/20 we increased motorable and passable roads by xx% the following roads were upgraded xxxxxxxxxx
Program 2	Objective	outcome	indicator	Performance

Amend this accordingly

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

4. MANAGEMENT TEAM

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

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

5. BOARD/FUND CHAIRPERSON'S REPORT

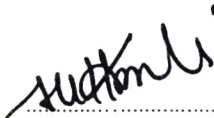
Forward by Board Chair

On behalf of the board of trustees, it is my pleasure to present to you the financial statements of the Marsabit County State officers and Other Public Officers Mortgage fund for the financial year ending June 30, 2020.

The fund statement for this financial year closed with a cash balance of Kshs 25,450,829. This is Kshs 13,462,055 more compared to previous financial year. Through the financial year ending June 30, 2020; the fund earned interest revenue amounting to Kshs 1,190,360 from loan beneficiaries who serviced their loans during the financial year. However, majority of beneficiaries who are no longer employees of the County Government of Marsabit have not been servicing their loans on a regularly.

Expenditures in the financial year amounted to Kshs 1560, being bank charges.

Going forward, the board of trustees shall be restricting the conditions and terms of mortgage facilities of potential beneficiaries to their employment terms especially for contracted staff.


.....
Committee chairman
Abdullahi Barako Kuli

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

6. REPORT OF THE FUND ADMINISTRATOR

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

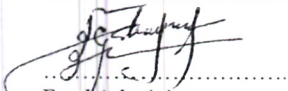
This fund has been in existence since November 2015 after devolutions came into place in 2013. The purpose is to assist members to develop themselves even as they serve the public through loans at fairer interest rates.

While servicing of loans has not been a challenge for mortgagees who are servicing their credit facilities through the County payroll check off system, an increase in default rate has been witnessed among former County employees. In the near future I undertake to present before the Management Committee a proposal to forward the list of defaulters to CRB for blacklisting.

Notwithstanding the challenges, the fund did realise an increase of 9.0 per cent in interest revenues to Kshs 1,190,360.

I take this opportunity to thank the Mortgage Management Committee for their support and the staff who have made this financial year the success it is.

Commented [U1]: Is your management committee active. Can you sign against this?


.....
Fund Administrator
CPA Galm Waqo Guyo

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

7. CORPORATE GOVERNANCE STATEMENT

Two-to-three pages

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

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

8. MANAGEMENT DISCUSSION AND ANALYSIS

Two- three pages

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

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

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

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages

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

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

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

1. Sustainability strategy and profile -

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices-

The organisation should outline its efforts to:

- a) Responsible competition practice.
Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors*
- b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.*
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices*
- d) Product stewardship- outline efforts to safeguard consumer rights and interests*

5. Community Engagements-

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

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

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

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

10. REPORT OF THE TRUSTEES

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

Principal activities

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

Results

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

Trustees

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

Auditors

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

By Order of the Board

XXX

Member of the Board

Date: _____

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

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the 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 County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

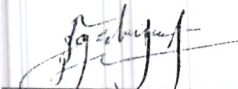
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS),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

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on Sept 25th 2020 and signed on its behalf by:

C. PA. Craig Longo
UPAR Member No. 18311



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MARSABIT COUNTY STATE OFFICERS AND OTHER PUBLIC OFFICERS MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

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

Basis for Adverse Opinion

1.0 Failure to Provide the Trial Balance

The financial statements for the year under review provided for audit were not supported with the relevant trial balance or ledger.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be ascertained.

2.0 Long Term Receivables from Exchange Transactions

2.1 Unsupported Mortgage Disbursements

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.58,356,971 which relates to mortgage issued to twenty-nine (29) beneficiaries. A review of the personal files revealed that the disbursements were not supported with approved application forms, approved copies of designs of proposed residential houses, registration certificate of the contractors, approved bill of quantities, official search of title to the property intended to be purchased, certified copies of agreement and proof that payments in relation to rates, rents and insurances in respect of the property were being paid.

Further, evidence to show that the Loanee had mortgage protection and fire policies with approved insurance firms was not provided for audit review contrary to Section 17(1) of the Public Finance Management (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which states that a Loanee shall take out and maintain a mortgage protection policy and fire policy with an insurance firm approved by the committee, the cost of which shall be paid by cash or out of the Fund and debited in the loanee's account.

In the circumstances, the occurrence and accountability of the long-term receivables from exchange transactions balance of Kshs.58,356,971 as at 30 June, 2020 could not be ascertained.

2.2 Failure to Provided Personal Files

Included in the long-term receivables from exchange transactions balance of Kshs.58,356,971 is loan outstanding balance of Kshs.8,307,309 relating to four (4) beneficiaries whose files were not provided for audit review. It was therefore difficult to determine whether the beneficiaries met all the requirements on application before they were issued with the mortgage. Further, the four (4) beneficiaries had already defaulted repaying the loans leaving the Fund at a risk of losing the outstanding loan balance totalling to Kshs.8,307,309.

In the circumstance, the propriety and the recoverability of the outstanding loan balance of Kshs.8,307,309 as at 30 June, 2020 could not be ascertained.

2.3 Unserviced Loans

The statement of financial position as at 30 June, 2020 reflects Kshs.58,356,971 in respect to long term receivables from exchange transactions which includes Kshs.31,768,404 outstanding loan from fourteen (14) beneficiaries of the Scheme whose mortgage had not been serviced during the year ended 30 June, 2020 as detailed below:

No.	Designation	Balance as at 30 June, 2020 (Kshs.)
1	Former CECM – Administration and ICT	2,262,087
2	Former Deputy Governor	2,076,014
3	Former CECM – Trade, Co-operatives and Enterprise Development	2,557,857
4	Former CECM – Health Services	2,201,464
5	Former CECM – Agriculture, Livestock and Fisheries	2,384,290
6	Former CECM – Water and Environment	2,370,251
7	Former CECM – Roads, Public Works and Housing	2,370,726
8	Former County Secretary	2,065,810.
9	Former CECM – Lands and Urban Development	2,360,251
10	Former Chief Officer – CPSB	1,071,194
11	Current Director Accounts	2,417,793
12	Former Principal Administrative Secretary	2,544,771
13	Current Chief Officer – Governors Delivery Unit	2,764,802
14	Current CECM - Roads, Public Works and Housing	2,321,094
	Total	31,768,404

In addition, the Fund management had not taken measures to recover the outstanding loan.

In the circumstances, the recoverability of the outstanding loan balance of Kshs.31,768,404 as at 30 June, 2020 is doubtful.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects approved revenue budget and expenditure of Kshs.1,190,360 and Kshs.1,560 respectively resulting to a variance of Kshs.1,888,800. No reason was

provided for the unbalanced budget contrary to Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

In the circumstances, the Fund Management is in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Presentation of the Financial Statements

The financial statements prepared and presented for audit contained the following anomalies: -

- (i) The background information at Page 2 stated that the enabling legislation is the Public Finance Management Act instead of the Public Finance Management (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015.
- (ii) The name of the independent auditor at Page 3 is indicated as Kenya National Audit Office instead of Office of the Auditor-General.
- (iii) The board of trustees and management team at page 4 and page 5 does not reflect the names, passport size photos and key academic and professional qualification.
- (iv) In the statement of performance against County entity's predetermined objectives, the Fund did not report on the achievements it has met, the objectives that are yet to be met, challenges and opportunities of the Fund in implementation of its program plan.
- (v) The corporate governance statement does not contain information board meetings held, board charter, appointment role and function of board.
- (vi) Report on operation and financial performance during the year, key entity's projects/ investment are missing from the management discussion and analysis.
- (vii) Details of corporate social responsibility carried out during the year and the impact to the society are not included in the financial statements.

- (viii) The report of trustees does not indicate the principal activities, results and the trustees.
- (ix) The statement of management responsibilities does not indicate the applicable legislation establishing the Fund.
- (x) Progress on follow up of previous year auditor's recommendation is blank.
- (xi) The notes are not consistent with actual notes to the financial statements.
- (xii) The reporting template is not customized to capture the entity's information where various statements at pages 5,11,13,25,30 – 35 and 42 – 49 contains 'xxx' in the body of the report.
- (xiii) The statement of comparison of budget and actual amounts should reads " for year ended 30 June, 2020" and not for the period ended.
- (xiv) The statement of cash flows reflects decrease in accounts receivable of Kshs.144,741 as a negative balance though considered as a positive balance in arriving at the totals.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 overall governance.

In preparing the financial statements, 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 the Management is aware of the intention to abolish 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 Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 continue 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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

13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	1,190,360	1,093,778
Other income	5		
		1,190,360	1,093,778
Total revenue		1,190,360	1,093,778
Expenses			
Fund administration expenses	6		
General expenses	7	1,560	17,317
Finance costs	8		
Total expenses		1,560	17,317
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		1,188,800	1,076,462

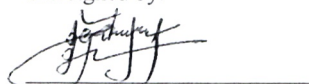
The notes set out on pages xxx to xxx form an integral part of these Financial Statements

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

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	25,450,829	11,988,773
Current portion of long- term receivables from exchange transactions	11	152,012	516,722
Prepayments	12		
Inventories	13		
		25,602,841	12,505,495
Non-current assets			
Property, plant and equipment	14		
Intangible assets	15		
Long term receivables from exchange transactions	11	58,356,971	70,265,517
		58,356,971	70,265,517
Total assets		83,959,812	82,771,012
Liabilities			
Current liabilities			
Trade and other payables from: exchange transactions	16		
Provisions	17		
Current portion of borrowings	18		
Employee benefit obligations	19		
		-	-
Non-current liabilities			
Non-current employee benefit obligation	19		
Long term portion of borrowings	18		
Total liabilities		-	-
Net assets		83,959,812	82,771,012
Revolving Fund		81,000,000	81,000,000
Reserves		-	-
Accumulated surplus		2,959,812	1,771,012
Total net assets and liabilities		83,959,812	82,771,012

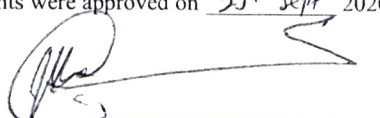
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25th Sept 2020 and signed by:



Administrator of the Fund

Name: CPA Greal Wago

ICPAK Member No. 18333



Fund Accountant

Name:

ICPAK Member Number:

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

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	69,000,000	-	694,550	69,694,550
Surplus/(deficit) for the period	-	-	1,076,462	1,076,462
Funds received during the year	12,000,000	-	-	12,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	81,000,000	-	1,771,012	82,771,012
Balance as at 1 July 2019	81,000,000	-	1,771,012	82,771,012
Surplus/(deficit) for the period	-	-	1,188,800	1,188,800
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	81,000,000	-	2,959,812	83,959,812

(Provide details on the nature and purpose of reserves)

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

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

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		1,190,360	1,093,778
Receipts from other operating activities			
Total Receipts		1,190,360	1,093,778
Payments			
Fund administration expenses			
General expenses		1,560	17,317
Finance cost			
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	364,710	-144,740.84
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22		
Net cash flows from operating activities			
Cash flows from investing activities		1,553,510	1,221,203
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments		11,908,546	9,115,105
Loan disbursements paid out			-41,340,000
Net cash flows used in investing activities		11,908,546	-32,224,895
Cash flows from financing activities			
Proceeds from revolving fund receipts			12,000,000
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			12,000,000

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

Net increase/(decrease) in cash and cash equivalents		13,462,055	-19,003,692
Cash and cash equivalents at 1 JULY	15	11,988,773	30,992,466
Cash and cash equivalents at 30 JUNE	15	25,450,829	11,988,773

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

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	1,190,360	-	1,190,360	1,190,360	1,190,360	100%
Transfers from County Govt.	-	-	-	-	-	-
Interest income	1,190,360	-	1,190,360	1,190,360	1,190,360	100%
Other income						
Total income						
Expenses						
Fund administration expenses						
General expenses	1,560	-	1,560	1,560	-	
Finance cost						
Total expenditure	1,560	-	1,560	1,560	-	100%
Surplus for the period	1,188,800	-	1,188,800	1,188,800		

Budget notes

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

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

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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

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

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

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

Standard	Effective date and impact:
	• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <i>(State the impact of the standard to the entity if relevant)</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2022 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and

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

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of xxxxx on the FY 2019/2020 budget following the governing body's approval.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx
At 30 June 2018				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b) Liquidity risk management

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

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

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

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

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:

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

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

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

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

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

2. Transfers from County Government

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

3. Fines, penalties and other levies

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

(Provide brief explanation for this revenue)

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	1,190,360	1,093,778
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	1,190,360	1,093,778

(Provide brief explanation for this revenue)

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

5. Other income

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

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

6. Fund administration expenses

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

7. Staff costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	1,560	17,317
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	1,560	17,317

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Marsabit Car loan account	-	-
Marsabit County mortgage account	25,450,829	11,988,773
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	25,450,829	11,988,773

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank		25,450,829	11,988,773
Sub- total		25,450,829	11,988,773
c) Current account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		25,450,829	11,988,773

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	152,012	516,722
Less: impairment allowance	-	-
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	58,356,971	70,265,517
Total Non- current receivables	58,356,971	70,265,517
Total receivables from exchange transactions	58,508,983	70,782,239

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

Additional disclosure on interest receivable

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

13. Revenue from Non-Exchange transaction

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

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

15. Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

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

18. Trade and other payables from exchange transactions

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

19. Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

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

22. CHANGES IN ACCOUNTS PAYABLE

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

23. Employee benefit obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

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

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

25. Related party balances

a) Nature of related party relationships

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

26. Contingent assets and contingent liabilities

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

(Give details)

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

14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

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

Guidance Notes:

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

