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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

LAIKIPIA COUNTY ASSETS LEASING FUND

FOR THE YEAR ENDED 30 JUNE, 2021

COUNTY GOVERNMENT OF LAIKIPIA
LAIKIPIA COUNTY ASSETS LEASING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Laikipia County Assets Leasing Fund is established by and derives its authority and accountability from the Public Finance Management (PFM) Act section 116. The Fund is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

For proper management of the fund and as advised by the SRC in the circular under the reference, Laikipia County Leasing Fund adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

The fund's objective is to finance rental payments, finance operation of leased assets and provide services at a fee to external clients utilizing the leased assets in the line with the master lease agreements.

The Fund's principal activity is to finance rental payments for assets leased by the County, finance the operations of the leased assets and provide services at a fee to external clients utilizing the leased assets in line with the Master Lease Agreements.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to finance rental payments for leased assets.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Chairman of the Board	Samuel Karanja Njora
2	Chief Officer Infrastructure Department	Duncan Mwangi
3	Chief Officer finance Department	Paul Njenga Waweru
4	Committee Member	Alexander Muchemi
5	Committee Member	Boniface Murungi Ndai
6	Fund Manager/ Administrator	Paul Njenga Waweru

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Paul Njenga
2	Director Assets Management	Nelson Ochungo
3	Director Fleet management	Rufus Makuno
4	Fund Accountant	Anne Mwangi

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	County Assembly	Clerk (Jasper Mutwiri)
2	County Treasury	CECM- Finance (Murungi Ndai)
3	Internal Audit	Head of Internal Audit (Julius King'ori)
4	Office of the Auditor General	The Auditor General (Nancy Gathungu)
5	County Audit Committee	Secretary (Julius King'ori)

f) Registered Offices

P.O. Box 1271-10400

Interim County Headquarter Building

Kenyatta Avenue

Nanyuki, KENYA

g) Fund Contacts

Telephone: (254) 716-031031

E-mail: info@laikipia.go.ke

Website: www.laikipia.go.ke

h) Fund Bankers

Absa Bank

Nanyuki, Kenya

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. Board of Trustees/Fund Administration Committee

Ref	Name	Details of qualifications and experience
1	Samuel Karanja Njora 	Mr Karanja is a career Administrator. He was born in 1967. He has been a senior public administrator for over 17 years as a County Commissioner, District Commissioner and Senior District Officer. He served as a County Commissioner for Kisii, a District Commissioner for Nyamira, Butere, Kericho, Kangundo and Murang'a. District Officer in Isiolo, Garissa, Mandela, Murang'a, Kirinyaga, Kisii, Meru, Embu and Teso.He holds a Master's Degree in Arts (Public Administration and Management) from Mount Kenya University, Bachelor of Arts Degree in Economics, Diploma in Public Administration, Strategic Management Course, Disaster Preparedness and Management Course, Certificate in Procurement, Paramilitary Training Course, and Administration Officer Induction Course
2	Murungi Ndai 	Mr.Murungi is currently the CECM Finance in Laikipia county. He was born in 1975. He holds a Master's of Science Degree in Economics and Investments, Bachelor's Degree in Economics and Statistics, and a Post Graduate Diploma in Human Resource Management. He is as certified international retail banker with over 13 years' experience in the banking industry. He has worked as an operations manager in Equity Bank, a senior branch manager in Stanbic Bank, Eco-Bank and Family Bank.
3	Duncan Mwangi 	He is currently the Chief Officer Infrastructure Department Laikipia County He holds an MSc. In Railway Engineering (Civil Option) form the Addis-Ababa University in Ethiopia and a BSc. in Civil, Structural and Environmental Engineering from Jomo Kenyatta University of Agriculture and Technology. He is registered as a graduate engineer No. B8144. He has previously worked with British Army Training Unit Kenya (BATUK) as the engineering manager for 3 years and Jawap Construction Company as a resident site manager. Previously, he is also the project manager for the leasing

		program since November 2019 – November 2020. He was born in 1988.
4	Paul Njenga Waweru 	He is the Fund Administrator and Secretary to the committee. He is also the Accounting Officer Finance, Economic Planning and County Development. He is currently pursuing his PhD. In Business Administration - Finance. He holds a Master's in Business Administration (Finance), a Bachelor's degree in Education (Economics and Mathematics) and a Diploma in Purchasing and Supply. Mr Paul was born 1977. He is a Certified Change Manager and a member of CIPS – Chartered Institute of Purchasing and Supply KISM – Kenya Institute of Supply Management.
5	Alexander Muchemi 	He is a legal advisor to the County Executive Committee (Chaired by His Excellency the Governor of Laikipia) He was born in 1986. He holds a Bachelor's Degree in Law from Moi University and a Post Graduate in The Kenya School of Law Advocates Training Program (ATP). He was a lecturer with experience in lecturing Commercial Law atCooperative University College. He has marketing experience was in charge of marketing in Nyahururu region.

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

Introduction

Section 167 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 Laikipia County Leasing Fund are to:

a) Provide quality physical infrastructure in the County.
b) Provide efficient and reliable transport services for County activities.

Progress on attainment of Strategic development objectives of the Leasing Fund

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Leasing of vehicles and equipment	Provide quality physical infrastructure in the County	Leased motor vehicles and equipment	No. of leased vehicles and equipment	16 vehicles and equipment leased; water bowsers, trucks, graders, drum rollers, Hilux
	Provide efficient and reliable transport services for County activities			

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
Paul Njenga 	He is the Fund Administrator and Secretary to the committee. He is also the Accounting Officer Finance, Economic Planning and County Development. He is currently pursuing his PhD. In Business Administration - Finance. He holds a Master's in Business Administration (Finance), a Bachelor's degree in Education (Economics and Mathematics) and a Diploma in Purchasing and Supply. Mr Paul was born 1977. He is a Certified Change Manager and a member of CIPS – Chartered Institute of Purchasing and Supply KISM – Kenya Institute of Supply Management.
Rufus Makuno 	He is a Fund member and the Director Fleet Management in Laikipia County Executive. He is currently pursuing his Master's in Business Analytics and holds a Bachelor's degree in Statistics. He is a Certified Public Accountant (CPA Finalist) He was born in 1986.
Nelson Ochungo 	He is the Director Assets Management. He holds diploma in Business Management. He holds CPA and Senior Management certificate(KSG) He is currently pursuing degree in Business Management. He was born in 1965. He has worked as a Chief Executive Officer of Laikipia County Revenue Board and has also served as a senior Internal Auditor in the Finance Department.
Anne Mwangi 	Anne is the Accountant in charge of Operations for the Fund. Holds Bachelor's Degree in Commerce (Finance), Certified Public Accountant. Diploma in Business Management (UoN).

5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Public Finance Managements Act 2012 Section 116 gives the CECM Finance powers to establish public funds with the approval of the County Executive Committee (The Cabinet) and the County Assembly. The Act instructs that there shall be a person appointed by the CECM Finance to administer the Fund and guides on the role of the administrator. The Fund Regulations 2020 were developed to guide on the management, operations and accountability of the Fund.

The purpose of the Fund is to;

a) Finance rental payments for assets leased by the County
b) Finance operations of the leased assets
c) Provide services at a fee to external clients utilizing the leased assets in line with the Master Lease Agreements

The County is set to upgrade more than 3,000km of new and existing roads in all the 15 wards under this program. Since its establishment, the Leasing Fund has caused a significant drop in transport hire, fuel, oil & lubricants and routine maintenance costs for the County Government Executive.

Despite the limitation in Cash flow in the financial year 2020/2021 and challenges faced by the County and Country at large, we are optimistic that the financial year 2021/2022 will be better and the Fund will expand the coverage of leased equipment to enhance service delivery in Laikipia.

COUNTY SECRETARY
LAIKIPIA COUNTY
22 FEB 2022
P.O. BOX 1-10400, NANYUKI

Karanja Njora
Chairperson
Laikipia County Assets Leasing Fund

6. REPORT OF THE FUND ADMINISTRATOR

The Leasing Fund was created to aid in coordination of activities related to the leasing program. This Program is an innovative way by Laikipia County to enable the County utilise the most up to date technology for machinery and equipment while not tying up so much cash on asset acquisition but rather use such cash for developed activities.

Outcomes and Actual performance –

Positive outcomes include linking farms to market, improving rural market frontages, improving roads leading to critical government facilities such as health centres and police stations and improvement of security roads within Laikipia County.

The following numbers of Km have been rehabilitated to date all over Laikipia County through the leasing program.

Financial Year	Graded (kms)	Graveled (kms)
2019-2020	240.25	98.7
2020-2021	810.34	282.7
2021-2022 (June – Sept)	357.94	91.17
TOTAL	**1,408.53**	**472.57**

Impact of the public participation benefits experienced by Laikipians arising from roads constructed and the value for money was achieved.

Public participation has helped in engaging citizens to identifying key priority roads that are to be rehabilitated thus focusing on projects that are most needful within a given time duration. Furthermore, the forums have helped mobilize for gravel to be used in road construction as well as obtain feedback from citizens on the quality of the road works being undertaken. As compared to contracted roads whereby the cost per gravelled kilometre is at an average of Ksh. 1,200,000, the leasing program has achieved an average cost of Ksh 800,000 per gravelled kilometre.

Road construction through the leasing program is carried out through construction gangs/brigades. A construction brigade comprises of 1 excavator, 1 grader, 5 tippers. A drum roller as well as a water bowser are shared equipment within the brigades. Within the reporting period, there were a total of 3 road brigade. The brigades move across the 15 wards within Laikipia County within a scheduled period of time per ward. Public participation is thus carried out for citizens to give feedback on what roads they consider as priority for construction before actual construction. Identified projects have proceeded to construction level and are to date a total of 1048 km of gravelled roads and 472.57km of gravelled roads.

Challenges experienced while achieving the deliverables of this fund based on its noble objective

a) Narrow roads – Majority of the access roads within Umande and Igwamiti Ward had a width of less than 4.5 meters. Access for the grader and the trucks was thus quite challenging in both locations. Thus the pace of work is reduced as trucks move through constricted space given that drainage has to be incorporated.

b) Drainage

Extensive gulley erosion due to large volumes of storm water have resulted to the weakening of a road section on the Kiamariga – Pefa road (Salama Ward). While efforts were placed to temporarily rehabilitate the section through rock fill placement at the affected road portion. All culvert locations and necessary drainage features have been identified for a detailing of requisite follow-up works.

c) Equipment capacity gaps in current brigades – Current brigades lack support of a county – owned low loader. Absence of a low loader has resulted to down time in moving equipment across wards or between borrow pits despite prior planning with a contractor owned low-loader. Rocky terrains in Marmanet ward have been cleared using an excavator in the past due to lack of a dozer, resulting to a temporal stoppage of tipping murrum as the excavator is deployed to carry out the extra work.

d) Heavy Erratic Rains

Since the onset of leasing program, November 2019 and February 2020 were the only months whereby road rehabilitation works commenced without downtime due to heavy rains. Over the reporting period, months such as January and June 2020 that do not receive rains, did experience significant rains that resulted to stoppage of work. Heavy rains were further experienced in November 2020 – Early January 2021 thus complicating road construction. Nonetheless, all roads constructed under the program have remained passable despite the heavy rains.

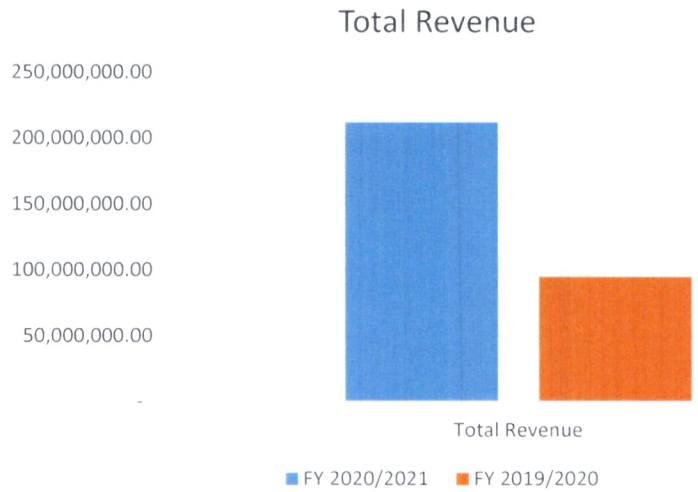
During the last two years the financial performance of the fund was as follows:

(a) Revenue:

The fund received less revenue during FY 2019/2020 as compared to FY 2020/2021 due to the fact that it started its operations in the middle of the year

The Fund received its funding from the county government of Laikipia and the disbursements were as follows:

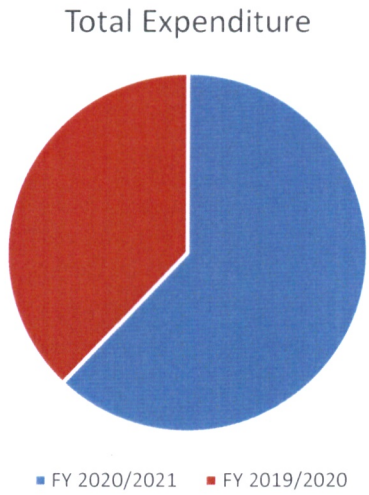
DESCRIPTION	FY 2020/2021	FY 2019/2020
Total Revenue	212,025,000.00	95,052,334.00



(b) Expenditures:

The following were the expenditure incurred by the fund during its two years of operation.

DESCRIPTION	FY 2020/2021	FY 2019/2020
Total Expenditure	132,187,058	83,580,748



More expenditure was incurred in FY2020/2021 because there was timely funding and more operations.

Below is an analysis of the leased vehicles and equipment under the leasing program in FY 2020-2021;

VEHICLE REG. NO.	MAKE	DATE OF DELIVERY	COMMISSIONING DATE
KHMA685Q	EXCAVATOR	27/1/2020	08/02/2020
KCW 298H	FVZ TIPPER	8/10/2019	02/11/2019
KCW299H	FVZ TIPPER	8/10/2019	03/11/2019
KCW307H	FVZ TIPPER	8/10/2019	05/11/2019
KCW308H	FVZ TIPPER	8/10/2019	02/11/2019
KCW309H	FVZ TIPPER	8/10/2019	03/11/2019
KCX149D	FVZ WATER BOOZER	11/12/2019	02/01/2020
KCX150D	FVZ WATER BOOZER	11/12/2019	07/01/2020
KHMA 976Q	HAMM DRUM ROLLER	29/05/2020	29/05/2020
KHMA 980Q	HAMM DRUM ROLLER	29/05/2020	29/05/2020

KHMA584Q	MOTOR GRADER	9/10/2019	21/11/2019
KHMA586Q	MOTOR GRADER	20/12/2019	09/01/2020
KCV520Z	TOYOTA HILLUX	6/10/2019	06/10/2019
KCV525Z	TOYOTA HILLUX	6/10/2019	06/10/2019
KCV526Z	TOYOTA HILLUX	6/10/2019	06/10/2019
KCV538Z	TOYOTA HILLUX	6/10/2019	06/10/2019
KDA 046H	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 072G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 074G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 084G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 092G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 093G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 105G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 108G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 109G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 113G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 115G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 158G	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 082H	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 128H	TOYOTA HILLUX	15/11/2020	15/11/2020
KDA 095J	TOYOTA HILLUX	15/11/2020	15/11/2020

The Fund has so far incurred expenditure on lease costs amounting to Kshs. 160,498,057 of which Kshs. 133,467,880 was Cash payments and Kshs. 27,030,177 being amount accrued in the current period.

In the financial year 2020/2021 the Fund settled lease costs amounting Kshs. 103,477,007 of which Kshs. 56,615,292 was for the period and payables brought down for lease costs amounting to Kshs. 46,861,715

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
22 FEB 2022

Paul Njenga
Fund Administrator
Laikipia County Assets Leasing Fund

7. CORPORATE GOVERNANCE STATEMENT

The Fund does not have a Board of Directors, rather it has a Management Committee comprising of;

(I.) The County Secretary – Chairperson
(II.) County Executive Committee Member for Finance
(III.) Chief Officer for Finance – Secretary
(IV.) Chief Officer for Infrastructure
(V.) The County Attorney

The functions of the Management Committee include;

a) Formulating guidelines for determination of assets for leasing, allocation and management of the leased assets to users
b) Review proposals and received and give recommendations on assets and number to be prioritized
c) Approve ensure lease rentals are paid as per the terms of the Master Lease Agreement
d) Ensure the applicable laws, regulations and procedures are followed
e) Receive, review and approve statutory and management reports of the Fund before submission to third parties
f) Prepare estimates of each financial year of the revenue and expenditure of the Fund, which shall then be approved by the CECM Finance before commencement of each financial year.

The Chief Officer for Finance is responsible for administering the Fund.

Winding up of the Fund

- The fund shall not be wound up while there are outstanding lease rentals.
- In the event of winding up of the fund, the cash balances will be transferred to the county exchequer account.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Leasing is becoming a preferred solution to resolve fixed asset requirements vs. purchasing the asset. While evaluating this venture, it is essential for the owner of the capital to understand whether leasing would yield better benefits or not. Laikipia County conducted a feasibility study on leasing and came to a conclusion that leasing is the best way to go for the County. This resulted to the establishment of The Leasing Fund; an entity within the County Government of Laikipia Executive. Its core functions are to finance and coordinate activities related to the Leasing program.

Under the provision made in the Laikipia County Assets Leasing Fund 2012 Section 116,7(5) that states "the meeting of the Committee shall be convened by the chairperson or in absence of the chairperson, by the vice chairperson, or in the absence of the vice chairperson, by a member designated by the chairperson and shall be convened at such a times as may be necessary for the discharge of its function7(6) The Quorum for a meeting of the committee shall be the chairperson and three members.

The following committee meetings were held;

	List of The Committee Members	**Financial Committee meeting**	**Committee meeting**	**Committee Meeting**	**Committee meeting**	**Remarks**
		12/08/2020	19/11/2020	22/01/2021	09/02/2021	
1	Paul Njenga	✓	✓	✓	✓	
2	Duncan Mwangi	✓	✓	✓	✓	
3	Rufus Makuno	✓	✓	✓	✓	
4	Nelson Ochungo	✓	✓	✓	✓	

Benefits that the County has derived through the leasing program;

- It does not tie up much funds since its payable by instalments over a long period while utilizing the equipment for development activities.
- The County pays for the leased asset through instalments over a fixed period of time, which has helped us budget for the future
- It has also given the County a chance to utilizing the cash (that would have been used up in acquiring the assets) to fund other development activities.
- The County now has access to a higher standard of equipment, which might have been too expensive to purchase outright
- The County is enjoying fewer responsibilities that come with ownership since it does not have to worry about maintenance and equipment break down as the Leasing Fund takes care of these.

Below is a financial analysis breakdown of the Fund activities as at 30th June 2021.

Description	FY 2020/2021	FY 2019/2020
Receipts		
Transfers from the County Govt. as per budget	210,000,000	95,052,334
Transfers from the County Govt. prepayments	-	-
Other income	2,025,000	-
Total revenue	**212,025,000**	**95,052,334**
Payments		
Bank Charges	41,756	12,960
Fuel	15,300,000	4,000,000
Domestic Travel and Subsistence	19,006,900	2,715,200
Rental Cost	83,645,469	76,852,588
Casual Wages	-	-
Hospitality Supplies and Services	3,962,320	-
Rental of Produced Assets	8,273,038	-
Office and General Supplies and Services	882,071	-
Repairs and maintenance - vehicles	784,304	-
Repairs and maintenance - other assets	291,200	-
Total payments	**132,187,058**	**83,580,748**
Cash and cash equivalents	**(435,475)**	**49,529,766**
Accounts Payable		
Prepayments by County Government	-	-
Rentals Costs (Payables)	27,030,177	46,861,715
	27,030,177	**46,861,715**
Accounts Receivables		
Transfers from County Government	105,648,480	-
Receivable from Inter-entity transactions	13,126,700	8,803,535
	118,775,180	**8,803,535**

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund complies with the Public Finance Management Act 2012 and the Procurement and Asset Disposal Act 2015 and their respective regulations to ensure proper finance management and accountability of public resources.

Building roads is an integral part of development infrastructure. A well-developed road network brings about a host of socio-economic development to any community.

Developing a well-connected road network can easily be categorized as the single most important determinant of an area's well-being.

Good road connectivity will play a great role in eliminating poverty and creating economic opportunities.

The roads will open up more areas and stimulate economic and social development by linking producers to markets, workers to jobs, students to school, and the sick to hospitals, roads are vital to any development agenda.

1. **Sustainability strategy and profile**

   The fund is striving to ensure that there would be continuous funding by the county government to ensure that it attains its objectives as a going concern.

2. **Market place practices**

   The fund ensures that it adhere to PPOA guidelines in its procurements hence giving equal opportunities to all interested suppliers including the special groups. It further makes prompt payments to suppliers for works and supplies for goods and services

   a) **Responsible competition practice.**

      Laikipia County Assets Leasing Fund ensures responsible competition with responsible political involvement, fair competition and respect for competitors in all its operations to ensure there is satisfaction of all players.

   b) **Responsible Supply chain and supplier relations**

      Procurements processes are done per PPOA guidelines hence giving equal opportunities to all interested suppliers including the special groups. The fund also ensures prompt payments to suppliers for works and supplies for goods and services are maintained.

   c) **Product stewardship**

      In safeguarding consumer rights and interests, the fund ensures that all the works undertaken are of high quality for the satisfaction of all users.

10. REPORT OF FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are;

a) Provide quality physical infrastructure in the County.

b) Provide efficient and reliable transport services for County activities.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 5

10.4 Auditors

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

By Order of the Board

COUNTY SECRETARY
LAIKIPIA COUNTY
22 FEB 2022
P O Box 1271-10400, NANYUKI

Name: **Samuel Karanja Njora**
Chairperson
Laikipia County Assets Leasing Fund

Date: _____

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 168 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established 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, 2021. This responsibility includes:
(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended March 31, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

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

CHIEF OFFICER
22 FEB 2022

Paul Njenga
Fund Administrator
Laikipia County Assets Leasing Fund
COUNTY GOVERNMENT OF LAIKIPIA

12. REPORT OF THE AUDITOR ON THE FINANCIAL STATEMENTS FOR LAIKIPIA COUNTY ASSETS LEASING FUND

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021.

DESCRIPTION	Note	FY 2020/2021	FY 2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from the County Government	1	210,000,000	95,052,334
Other income	2	2,025,000	-
Total revenue		**212,025,000**	**95,052,334**
Expenses			
Fund administration expenses	3	-	-
General expenses	4	132,187,058	83,580,748
Finance costs	5	-	-
Total expenses		**132,187,058**	**83,580,748**
Surplus/(deficit) for the period		**79,837,942**	**11,471,586**

The notes set out on pages 40 to 48 form an integral part of these Financial Statements.

The entity financial statements were approved and signed by:

CHIEF OFFICER
22 FEB 2022

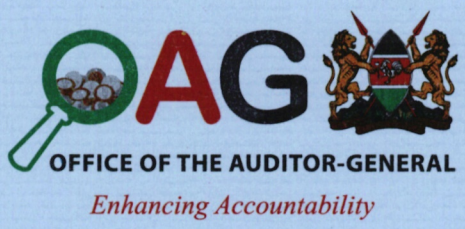
Administrator of the Fund
Name: Paul Njenga

COUNTY GOVERNMENT OF LAIKIPIA
P. O. BOX 1271 - 10400,
NANYUKI
ASST. DIRECTOR FINANCIAL REPORTING AND CONSOLIDATION

Assistant Director Financial Reporting
Name: Mishek Gacheru
Icpak M/No. 26623

REPUBLIC OF KENYA

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



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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY ASSETS LEASING FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Laikipia County Assets Leasing Fund set out on pages 22 to 48, which comprise the statement of financial position as at 30 June, 2021, and the statement financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Laikipia County Assets Leasing Fund as at 30 June, 2021, 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 comply with the Public Finance Management Act, 2012 and the Public Finance Management (Laikipia County Assets Leasing Fund) Regulations, 2020.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Laikipia County Assets Leasing 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 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

Review of the statement of budget and actual amounts indicated total receipts budget of Kshs.210,000,000 against actual budget of Kshs.104,351,520 resulting to unrealized revenue collection amounting to Kshs.105,648,480 or 50.3%. This is an indication of unrealized targets which may be as a result of overbudgeting. There is need therefore for the Fund Management to prepare a realistic budget. Further, the total payments budget amounted to Kshs.210,000,000 against actual payments of Kshs.132,985,526 again resulting to under absorption of Kshs.77,014,474 or 37% of the budget.

The County Government did not release funds as budgeted, hence there is need for the Fund to have a proper budgeting mechanism with a view to utilizing the budget in full for better service delivery to the stakeholders of the Fund.

Other Information

The Fund Administration Committee is responsible for the other information, which comprises the Fund Administration Committee Chairman's Report, Fund administrators' report, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of Fund

Administration Committee responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Inter-Entity Transactions

The statement of financial position reflects a balance of Kshs.118,775,180 in respect of receivables from non-exchange transactions which includes Kshs.13,126,700 in respect of inter-entity transactions. However, the inter-entity transactions by the Fund to other Departments in the Laikipia County Executive were contrary to the requirement of Section 116(4) of the Public Finance Management Act, 2012 which states that the Administrator of a County Public Fund shall ensure that money held in the Fund, including any earnings or accruals referred to in Subsection (3) is spent only for the purposes for which the fund is established.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Trustees

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the 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

15 July, 2022

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

DESCRIPTION	Note	FY 2020/2021	FY 2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	6	(435,475)	49,529,766
Receivables from non-exchange transa	7	118,775,180	8,803,535
		118,339,705	**58,333,301**
Non-current assets			
Acquisition of PPEs	9	-	-
Total assets		**118,339,705**	**58,333,301**
Liabilities			
Current liabilities			
Trade Payables	10	27,030,177	46,861,715
Other Payables	11	-	-
		27,030,177	**46,861,715**
Total Net Assets		**91,309,528**	**11,471,586**
Financed by:			
Fund Balance b/fwd		11,471,586	-
Accumulated surplus		79,837,942	11,471,586
Total		**91,309,528**	**11,471,586**

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

COUNTY GOVERNMENT OF LAIKIPIA CHIEF OFFICER FINANCE & ECONOMIC PLANNING 22 FEB 2022

COUNTY GOVERNMENT OF LAIKIPIA P.O. BOX 1271 - 10400, NANYUKI 22 FEB 2022 ASST. DIRECTOR FINANCIAL REPORTING FINANCE, ECONOMIC PLANNING AND COUNTY DEVELOPMENT

Administrator of the Fund
Name: Paul Njenga

Assistant Director Financial Reporting
Name: Mishek Gacheru
Icpak M/No. 26623

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

DESCRIPTION	Revolving Fund	Revaluation reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2019	-		-	-
Surplus/(deficit) for the period			11,471,586	11,471,586
Revaluation gain		-		-
Balance as at 30 June 2020	-	-	11,471,586	**11,471,586**
Balance as at 1st July 2020	-	-	11,471,586	**11,471,586**
Surplus/(deficit) for the period	-		79,837,942	79,837,942
Balance as at 30 June 2021	**-**	**-**	**91,309,528**	**91,309,528**

13.3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

DESCRIPTION	Note	FY 2020/2021	FY 2019/2020
			KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	210,000,000	-
Other income	2	2,025,000	-
Revenue Cash Inflows	14	-	95,052,334
Total Receipts		**212,025,000**	**95,052,334**
Payments			
Fund administration expenses		-	-
General expenses	4	132,187,058	-
Expenditure Cash Outflows	15	-	36,719,033
Finance cost	5	-	-
Total Payments		**132,187,058**	**36,719,033**
Adjusted for:			
Decrease/(Increase) in Accounts Receivables	12	(109,971,645)	(8,803,535)
Increase/(Decrease) in Accounts Payable	13	(19,831,538)	-
Net cash flows from operating activities		**(49,965,241)**	**49,529,766**
Cash flows from investing activities			
Acquistion of assets		-	-
Net cash flows used in investing activities		**-**	**-**
Cash flows from financing activities			
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		(49,965,241)	49,529,766
Cash and cash equivalents at 01 July 2020		49,529,766	-
Cash and cash equivalents at 30 June, 2021		**(435,475)**	**49,529,766**

The entity financial statements were approved and signed by:

CHIEF OFFICER
22 FEB 2022
FINANCE & ECONOMIC PLANNING

COUNTY GOVERNMENT OF LAIKIPIA
P.O. BOX 1271 - 10400,
NANYUKI
22 FEB 2022
ASST. DIRECTOR FINANCIAL REPORTING
FINANCE, ECONOMIC PLANNING
AND COUNTY DEVELOPMENT

Administrator of the Fund
Paul Njenga

Assistant Director Financial Reporting
Name: Mishek Gacheru
Icpak M/No. 26623

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

Description	Original budget	Adjustments	Final budget	Cumulative Actual	Utilization difference	% utilisation
	KShs	KShs	KShs	KShs	KShs	%
Revenue						
Transfers from County Executive	210,000,000	-	210,000,000	104,351,520	105,648,480	50%
Other income	-	-	-	2,025,000	(2,025,000)	0%
Total income	**210,000,000**	**-**	**210,000,000**	**106,376,520**	**103,623,480**	**51%**
Payments						
General expenses	210,000,000	-	210,000,000	105,156,881	104,843,119	50%
Total payments	**210,000,000**	**-**	**210,000,000**	**105,156,881**	**104,843,119**	**50%**
Surplus/Defict	**-**	**-**	**-**	**1,219,639**	**(1,219,639)**	

i) Under realisation resulted from late releases of fund by the National Treasury making full funding by the county not possible hence recognising the balance as receivables.

ii) Underutilization of budget was due to limitation of cash flow.

RECONCILIATION FOR ACTUAL BETWEEN STATEMENT OF FINANCIAL PERFORMANCE AND STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

DESCRIPTION	STATEMENT OF FINANCIAL PERFORMANCE/ POSITION	STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNTS	VARIANCE	REMARKS
REVENUE				
Transfers from County Executive	210,000,000	104,351,520	105,648,480	*Accrued receivables*
Other Income	2,025,000	2,025,000	-	
	212,025,000	**106,376,520**	**105,648,480**	
PAYMENTS				
General expenses	(132,187,058)	(105,156,881)	(27,030,177)	*Accrued expenses*
	(132,187,058)	**(105,156,881)**	**(27,030,177)**	
SURPLUS/(DEFICIT)	**79,837,942**	**1,219,639**		

13.4 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments: **Applicable: 1st January 2021:**	**Impact**
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	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and 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	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
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.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating 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	*Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact*

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

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; • 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.

Standard	Effective date and impact:
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. *(State the impact of the standard to the entity if relevant)*
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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

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 2020/2021 was approved by the County Assembly on FY 2019/2020. 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 no additional appropriations for the FY 2020/2021 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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Re-cast 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial instruments

a) 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.

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 an entity of financial assets is impaired. A financial asset or an 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 an 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)

b) 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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/ Trustee, the Fund Managers and Fund Accountant.

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 PFM Act under the Department of Finance, Economic Planning and County Development. Its ultimate parent is the County Government of Laikipia.

20. Currency

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

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.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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) 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	27,030,177	27,030,177
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**-**	**-**	**27,030,177**	**27,030,177**
At 30 June 2020				
Trade payables	-	-	46,861,715	46,861,715
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**-**	**-**	**46,861,715**	**46,861,715**

14. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY 2020/2021	FY 2019/2020
Transfers from County Executive	210,000,000	95,052,334
Total	**210,000,000**	**95,052,334**

2. Other income

Description	FY 2020/2021	FY 2019/2020
Transfer from County Departments	**2,025,000**	-
Transfer from County Entities	-	-
Total	**2,025,000**	-

3. Fund administration expenses

Description	FY 2020/2021	FY 2019/2020
Staff costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

4. General expenses

Description	FY 2020/2021	FY 2019/2020
Bank Charges	41,756	12,960
Casual Wages	-	-
Communications Supplies and Services	-	-
Domestic Travel and Subsistence	19,006,900	2,715,200
Fuel, oil and Lubricants	15,300,000	4,000,000
Hospitality Supplies and Services	3,962,320	
Rental of produced assets	8,273,038	-
Office and General Supplies and Services	882,071	-
Leasing costs	83,645,469	76,852,588
Repairs and maintenance - vehicles	784,304	-
Repairs and maintenance - other assets	291,200	-
Total	**132,187,058**	**83,580,748**

5. Finance costs

Description	FY 2020/2021	FY 2019/2020
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	**-**	**-**

6. Cash and cash equivalents

Description	FY 2020/2021	FY 2019/2020
Leasing Fund ABSA Bank Account	(435,475)	49,529,766
Total	**(435,475)**	**49,529,766**

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

Description	CUMULATIVE 2020/2021	FY 2019/2020
Financial institution	**Kshs**	**Kshs**
c) Current account		
ABSA BANK PLC - A/C 2041834296	(435,475)	49,529,766
Sub- total	**(435,475)**	**49,529,766**
d) Others(specify)		
county government	-	-
Cash in transit	-	-
Cash in hand	-	-
M Pesa		
Sub- total	**-**	**-**
Grand total	**(435,475)**	**49,529,766**

7. Receivables from Non-exchange transactions

Description	FY 2020/2021	FY 2019/2020
Transfers from County Executive	105,648,480	-
Inter-entity transactions	13,126,700	8,803,535
Total	**118,775,180**	**8,803,535**

8. Receivables from Outstanding Imprest

Description	FY 2020/2021	FY 2019/2020
Un-surrendered Imprest	-	-
Total	**-**	**-**

9. Non-Current Assets

Description	Computers and office equipment	Total
Cost	**Kshs**	**Kshs**
At 1st July 2019	-	-
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
At 30th June 2020	-	-
At 1st July 2020		
Additions	-	-
Disposals	-	-
Transfer/adjustments	-	-
At 30th June 2021	-	-
Depreciation and impairment		
At 1st July 2019	-	-
Depreciation	-	-
Impairment	-	-
At 30th June 2020	-	-
At 1st July 2020		
Depreciation	-	-
Disposals	-	-
Impairment	-	-
Transfer/adjustment	-	-
At 30th June 2021	-	-
Net book values		
At 30th June 2020	-	-
At 30th June 2021	-	-

10. Trade Payables

Description	FY 2020/2021	FY 2019/2020
Trade Creditors	27,030,177	46,861,715
Total	**27,030,177**	**46,861,715**

11. Other Payables

Description	FY 2020/2021	FY 2019/2020
Prepayments from County Executive	-	-
Total	-	-

12. Changes in Accounts Receivables

Description	FY 2020/2021	FY 2019/2020
Accounts receivable from County at the end (A)	105,648,480	-
Accounts receivable from department at the end (B)	13,126,700	8,803,535
Accounts receivable at the Beginning (C)	8,803,535	-
Net changes in account receivables (A+B) - C	**109,971,645**	**8,803,535**

13. Changes in Account Payables

Description	FY 2020/2021	FY 2019/2020
Accounts receivable at the end (A)	27,030,177	-
Accounts receivable at the Beginning (B)	46,861,715	-
Net changes in accounts payables (A - B)	**(19,831,538)**	**-**

14. Revenue Cash Inflows (Transfer from County Government & Other Income)

Description	FY 2020/2021	FY 2019/2020
Transfers from the County Government	-	95,052,334
Other income	-	-
TOTAL	**-**	**95,052,334**

15. Expenditure Cash Outflow (General Expenses)

Description	FY 2020/2021	FY 2019/2020
Fund administration		-
General expenses	-	36,719,033
Finance Costs	-	-
Acquisition of assets	-	-
TOTAL	**-**	**36,719,033**

16. Cash generated from operations

Description	FY 2020/2021	FY 2019/2020
	Kshs	Kshs
Surplus/ (deficit) for the year before tax	79,837,942	11,471,586
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-

Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	(109,971,645)	(8,803,535)
Increase in payables	(19,831,538)	46,861,715
Net cash flow from operating activities	**(49,965,241)**	**49,529,766**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. 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) County Assembly;
d) Key management;
e) Board of Trustees; etc

b) Related party transactions

Description	FY 2020/2021	FY 2019/2020
Transfers from related parties'	106,376,520	95,052,334
Transfers to related parties	-	-
TOTAL	**106,376,520**	**95,052,334**

c) Key management remuneration

Description	FY 2020/2021	FY 2019/2020
Board of Trustees	-	-
Key Management Compensation	-	-
TOTAL	**-**	**-**

d) Due from related parties

Description	FY 2020/2021	FY 2019/2020
Due from County departments or entities	13,126,700	8,803,535
Due from County Government	105,648,480	-
TOTAL	**118,775,180**	**8,803,535**

e) Due to related parties

Description	FY 2020/2021	FY 2019/2020
Due to County departments or entities	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
TOTAL	**-**	**-**

18. Contingent assets and contingent liabilities

Contingent liabilities	FY 2020/2021	FY 2019/2020
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	**-**	**-**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe:
	A review of records indicated that the Fund commenced its operations in July 2019 before it was legally established on 12 June, 2020 through the enactment of the Public Finance Management	The Fund has now been legally established.	Resolved	

16. APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the County Executive of Laikipia County Government			
	FY 2020/2021			
a.	**Recurrent Grants**	**Bank Statement Date**	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
		Total		
b.	**Development Grants**	**Bank Statement Date**	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
		29-Jan-20	20,000,000	2020/2021
		10-Feb-21	8,000,000	2020/2021
		25-Feb-21	22,500,000	2020/2021
		22-Mar-21	500,000	2020/2021
		24-Apri-21	851,520	2020/2021
		10-Jun-21	22,500,000	2020/2021
		10-Jun-21	30,000,000	2020/2021
		Total	**104,351,520**	
c.	**Direct Payments**	**Bank Statement Date**	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
		Total		

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager Laikipia County Assets Leasing Fund

Sign ----------

Head of County Treasury - Laikipia County

Sign----------