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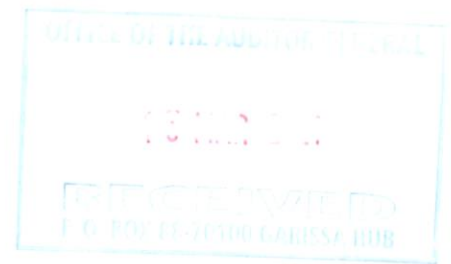
THE AUDITOR-GENERAL

ON

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

FOR THE YEAR ENDED 30 JUNE, 2020

PAPERS LAID	
DATE	02/03/2022
TABLED BY	DSMW
COMMITTEE	—
CLERK AT THE TABLE	CHANIA



LAMU COUNTY EXECUTIVE STAFF HOUSING 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)**

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND
Reports and Financial Statements
For the year ended June 30, 2020

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LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

1. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

Lamu County Executive Staff Housing Fund is a Fund kitty for Lamu County Executive staff to take up loans to acquire affordable homes. The loans will be accessed at a fair interest rate; the Fund is established under the Staff Housing Fund Act, 2019 which was assented by the County Assembly on May 2019.

The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya

b) Principal Activities

The Fund aim is to: -

- (a) Provide loans for the purchase, development, renovation or repair of residential houses to members of Staff;
- (b) Raise Funds for the implementation of the objectives stated in paragraph (a)

c) Fund Committee Members

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

d) Key Management/Fund Administration committee

Ref	Name	Position
1	Mr. John Mburu	Chairman
2	Mrs. Fatma Said Abdalla	Fund Administrator
3	Mr. Paul Waluba	Secretary
4	Mr. Atwaa Salim	Member
5	Mrs. Kulthum Swaleh	Member
6	Mr. Alex Jimbi	Member
7	Mr. Mohamed Omar	Co-opted Member

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND
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For the year ended June 30, 2020

e) Registered Offices

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

f) Fund Contacts

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

g) Fund Bankers

Kenya Commercial Bank
Lamu Branch
P.O. Box 121 - 80500
Lamu-Kenya

h) Independent Auditors

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

i) Principal Legal Adviser





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

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

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For the year ended June 30, 2020

2. THE FUND COMMITTEE MEMBERS

Name	Details of qualifications and experience
 <p>H. E Fahim Yasin Twaha GOVERNOR</p>	<ul style="list-style-type: none">• He Possess a Degree in Economics and Masters in MBA• Veteran politician with over 23 years' experience in leadership and governance• He has served Lamu people for a period of fifteen (15) years in his capacity as a Member of Parliament, Lamu West Constituency and as an Assistant Minister Natural Resource.• Appointed by Council of Governors as the Chairman of cooperatives & Enterprise Development.
 <p>H. E Abdulhakim About Deputy Governor</p>	<ul style="list-style-type: none">• He holds Masters Degree in Education (Management), Bachelor Degree in Education and Diploma in Education.• He served in the Electoral Commission for 7 (seven) years from 2010 to 2017 as Senior Election Manager• He was a high school teacher at Mpeketoni Secondary School and a founding principal of Kizingitini Secondary School.• He has been involved in various community development issues across the County.• He has undertaken various capacity building courses and is knowledgeable in areas of Community Development, Strategic Management and Conflict Resolution, Financial Planning, Performance Appraisal, Human Resource, Resources Mobilization and Inter-governmental Relations.
 <p>Mr Ahmed M Hemed CECM-Finance</p>	<ul style="list-style-type: none">• Holds Bachelor of Education from Kenyatta University.• Holds a primary (P1) certificate from Machakos Teachers College.• He has extensive public service experience having started as a primary school teacher.• Has extensive public service experience having served a total of 18 years as town clerk (13 years) and deputy secretary (5 years) respectively.• Before his appointment he was a Deputy County Secretary in Tharaka Nithi County.
 <p>Ms Fahima Arafat CECM -Lands</p>	<ul style="list-style-type: none">• Holds a Bachelor of Commerce (Accounting) from Kenyatta University.• Holds a Senior Management Course Certificate (Kenya School of Government).• Holds Certificate in Dispute Resolution as Third Party Neutral from the Ottawa based Canadian Institute for Conflict Resolution (CICR).• Before her appointment she was at Shella, Lamu County as a Ward Administrator.

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

Statement of performance defined as a completion of a task with application of knowledge, skills and abilities.

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 Fund Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund's performance against predetermined objectives.

For purposes of implementing and cascading development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide strategic priorities against achievement per department.

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

4. MANAGEMENT TEAM

Ref	Name	Position
1.	Mr. John Mburu	Chairman
2.	Mrs. Fatma Said Abdalla	Fund Administrator
3.	Mr. Paul Waluba	Secretary
4.	Mr. Atwaa Salim	Member
5.	Mrs. Kulthum Swaleh	Member
6.	Mr. Alex Jimbi	Member
7.	Mr. Mohamed Omar	Co-opted Member

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

5. BOARD/FUND CHAIRPERSON'S REPORT

In our pursuit to improve on transparency and accountability in public financial management I present the 2019/2020 of the financial year report for The Lamu County Executive Staff Housing Fund. The Executive Staff Housing Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws.

In addition, the County Treasury Will Endeavour to comply with the Executive Staff Housing Fund Act, 2019. The Lamu County Executive Staff Housing Fund financial statements for the Financial Year ended 30th June, 2020 provide in summary statements of receipts and payments, Assets and Liabilities and Statements of Cash flows.

Signed: _____



JOHN MBURU

CHAIRMAN

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

6. REPORT OF THE FUND ADMINISTRATOR

On behalf of the board, it is my pleasure to present Lamu County Executive Staff Housing Fund financial statements which presents financial performance of the Fund for the year ended 30th June 2020.

Sustainability

In our pursuit to improve on transparency and accountability in public financial management, the present Lamu County Executive Staff Housing Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and any other applicable laws on public finance.

Committee and Management Changes

During the year, there were no committee or management changes.

Review of performance

Revenue

The Fund was established on May 2019 and started with an initial amount of Kshs 40,000,000.00 no further amount was received in the period under reporting.

Expenditures

Loan was disbursed amounting to Kshs 23,400,000.00 of this, Kshs 5,291,000.00 had been paid and Kshs 19,207,000.00 was outstanding as at the reporting date.

Future outlook

The Fund focus is looking to build a robust and sustainable Fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The Fund looks forward to continued support from the county government to the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Lamu, stakeholders, management, staff and fellow Committee Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2020/2021.

Signed: _____

Fatma Said Abdalla

FUND ADMINISTRATOR

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

7. CORPORATE GOVERNANCE STATEMENT

THE FUND

Lamu County Executive Staff Housing Fund is a Fund kitty for Lamu County Executive Staff Housing Fund to take up loans to acquire affordable homes. The loans will be accesses at a fair interest rate; the Fund is established under the Staff Housing Fund Act, 2019 which was assented by the County Assembly on May 2019.

The Fund is wholly owned by the county government of Lamu and is domiciled in Kenya.

Principal Activities

- (a) Provide loans for the purchase, development, renovation or repair of residential houses to members of Staff;
- (b) Raise Funds for the implementation of the objectives stated in paragraph (a)

THE MEMBERS OF THE FUND

The committee members are responsible for the long-term strategic direction of the Fund. They exercise leadership, enterprise, integrity and judgment in directing the Fund.

The members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the Fund is delegated to the Fund administrator. The members are professional, committed and guided in execution of their duties.

FUND MEETINGS

The Fund Administration committee confirms that the Fund has throughout the FY 2019/2020 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control Framework

The Fund continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. No significant failings or weaknesses were identified during the FY 2019/2020.

Risk Management

The Fund target to develop a risk management framework which will guide the Fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal was facing the Fund.

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

Management Team

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

Auditor

The Fund is audited by the Office of the Auditor General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Lamu County Executive Staff Housing Fund is a Fund kitty for Lamu County Executive Staff Housing Fund to take up loans to acquire affordable homes. The loans will be accessed at a fair interest rate; the Fund is established under the Staff Housing Fund Act, 2019 which was assented by the County Assembly on May 2019.

The Fund started with an initial amount of Kshs 40,000,000.00 no further amount was received in the period under reporting. Loan was disbursed amounting to Kshs 23,400,000.00 of this, Kshs 5,291,000.00 had been paid and Kshs 19,207,000.00 was outstanding as at the reporting date.

The Fund focus is looking to build a robust and sustainable Fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The Fund looks forward to continued support from the county government to the realization of its mandate.

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Fund was not involved in any corporate social responsibility activities in Financial Year - 2019/2020.

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND
Reports and Financial Statements
For the year ended June 30, 2020

10. REPORT OF THE TRUSTEES

The Fund committee submits 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 purpose of the Fund is to enable payment to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 18

Fund (Key Management)

The members of the Fund who served during the year are shown on page 4 – 5.

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 Fund

Date: _____

Fatma Said Abdalla

FUND ADMINISTRATOR

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the 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 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 Lamu County Executive Staff Housing Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 Lamu County Executive Staff Housing 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 committee on **24th February 2021** and signed on its behalf by:



Fatma Said Abdalla

FUND ADMINISTRATOR

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY EXECUTIVE STAFF HOUSING FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Lamu County Executive Staff Housing Fund set out on pages 16 to 35, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Lamu County Executive Staff Housing Fund as at 30 June, 2020 and 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 Lamu County Staff Housing Act, 2019.

Basis for Adverse Opinion

1.0 Un-confirmed Opening Balances

The financial statements for the year ended 30 June, 2020 reflect comparative balances for 2018/2019 under transfers from county government, Kshs.40,000,000, cash and bank, Kshs.40,000,000 and accumulated surplus, Kshs.40,000,000. However, these balances were not confirmed as Management did not submit for audit financial statements for 2018/2019.

Failure to submit financial statements for audit is a contravention of Section 116 (7) of the Public Finance Management Act, 2012 which state that the administrator of a county

public fund shall (a) prepare accounts for the fund for each financial year; (b) not later than three months after the end of each financial year, submit financial statements relating to those accounts to the Auditor-General for audit.

Under the circumstances, the accuracy and completeness of the opening balances could not be confirmed and Management was in breach of the law.

2.0 Wrong Treatment of Mortgage Loan Disbursed

The statement of financial performance and Note 2 to the financial statement reflects fund disbursement of Kshs.23,400,000 being funds disbursed as mortgage Loan to a county official. However, the entire loan was expensed in the statement of financial performance instead of accounting for the loan as a receivable in the statement of financial position.

Under the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3.0. Fund Disbursement

The statement of financial performance reflects fund disbursement of Kshs.23,400,000. As disclosed at and Note 2 to the financial statements, the disbursement was a mortgage loan to a county official that was to be recovered from July, 2019 to July, 2022. Information provided indicate that the Fund management entered into an agreement with the official for a monthly repayment of Kshs.650,000 out of which Kshs.169,000 was to be recovered through the payroll and the balance of Kshs.481,000 was to be paid from private sources outside the payroll. It is not clear why the management agreed to this arrangement as it exposes the Fund to the risk of default. Further, although the loan was meant to finance purchase of a residential property in Mombasa, no valuation report was provided to determine the actual value of the financed property.

In the circumstances, the recoverability of the mortgage loan disbursement of Kshs.23,400,000 as at 30 June, 2020 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Executive Staff Housing 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 other key audit matters to communicate in my report.

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, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, 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 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.

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

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

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

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

Those charged with governance are responsible for overseeing the 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 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's 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

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

Reports and Financial Statements

For the year ended June 30, 2020


13. FINANCIAL STATEMENTS

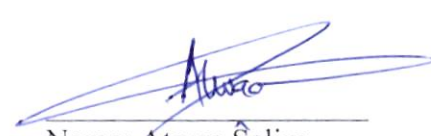
I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
REVENUE FROM NON - EXCHANGE TRANSACTIONS			
Transfers from County Government	1	-	40,000,000
Mortgage Recovery		6,928,173	-
Interest income		557,330	
TOTAL REVENUES		7,485,503	40,000,000
EXPENSES			
Fund disbursement	2	23,400,000	-
TOTAL PAYMENTS		23,400,000	-
SURPLUS/DEFICIT		-15,914,497	40,000,000

The notes set out on pages 37 to form an integral part of these Financial Statements

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements of Lamu County Executive Housing Fund were approved on **24th February 2021** and signed by:


Name: Fatma Said Abdalla
Fund Administrator



Name: Atwaa Salim
Member

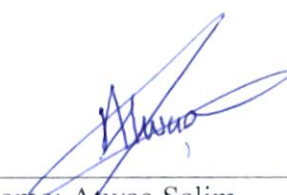
LAMU COUNTY EXECUTIVE STAFF HOUSING FUND
Reports and Financial Statements
For the year ended June 30, 2020

II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CURRENT ASSETS			
Cash and Bank	4	21,891,000	40,000,000
Accounts Receivables	5	2,194,503	
Total Current Asset		24,085,503	40,000,000
NON CURRENT ASSETS			
TOTAL FINANCIAL ASSETS			
		24,085,503	40,000,000
LESS: NON CURRENT LIABILITIES			
		-	-
NET ASSETS		24,085,503	40,000,000
REPRESENTED BY			
Fund balance b/fwd.		40,000,000	-
Surplus/Deficit for the year		-15,914,497	40,000,000
Prior year adjustments		-	-
NET FINANCIAL POSITION		24,085,503	40,000,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements of Lamu County Executive Housing Fund were approved on **24th February 2021** and signed by:


 Name: Patma Said Abdalla
 Fund Administrator


 Name: Atwaa Salim
 Member

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

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


	Lamu County Executive Staff Housing Fund	Accumulated surplus	Total
	KShs	KShs	KShs
Balance as at 1 July 2018	-	-	-
Surplus/(deficit) for the period	-	-	-
Funds received during the year		-	-
Interest Income		-	-
Balance as at 30 June 2019	40,000,000	-	40,000,000
			-
Balance as at 1 July 2019	40,000,000	-	40,000,000
Surplus/(deficit) for the period	-15,914,497	-	-15,914,497
Funds received during the year	-	-	-
Interest Income	-	-	-
Balance as at 30 June 2020	24,085,503	-	24,085,503


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

	Note	2019-2020 Kshs	2018-2019 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Tax Revenues	1	-	40,000,000
Mortgage Recovery		6,928,173	
Interest Income		557,330	
		<u>7,485,503</u>	<u>40,000,000</u>
Payments for operating expenses			
Fund disbursement	2	23,400,000	-
		<u>23,400,000</u>	<u>-</u>
Adjusted for:			
Adjustments during the year		2,194,503	-
Changes in receivables			
Net cash flow from operating activities		<u>- 18,109,000</u>	<u>40,000,000</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Net cash flows from Investing Activities		<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENT			
		<u>- 18,109,000</u>	<u>40,000,000</u>
Cash and cash equivalent at BEGINNING of the year		40,000,000	-
Cash and cash equivalent at END of the year		21,891,000	40,000,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements of Lamu County Executive Housing Fund were approved on **24th February 2021** and signed by:


 Name: Fatma Said Abdalla
 Fund Administrator


 Name: Atwaa Salim
 Member

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

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
		a	b	c=a+b	d	e=c-d	f=d/c %
1	REVENUE FROM NON - EXCHANGE TRANSACTIONS						
	Transfers from County Government	-	-	-	-	-	
	Mortgage Fund	40,000,000	-	40,000,000	5,291,000	-34,709,000	13%
	Total Receipts	40,000,000	-	40,000,000	5,291,000	-34,709,000	13%
	EXPENSES						
3	Fund disbursement	40,000,000		40,000,000	23,400,000	16,600,000	59%
	Grand Total	40,000,000	-	40,000,000	23,400,000	16,600,000	59%

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VI. 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.

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 Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss

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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> 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. <p>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.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> 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 Equipment. <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

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Standard	Effective date and impact:
	<p>Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>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.</p> <p>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</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The Fund 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 Fund 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 May 2019. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Fund'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 13 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 Fund 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 Fund 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 Fund 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 Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. A financial asset or a Fund 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 Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Fund 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 Fund 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.

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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 Fund.

9. Provisions

Provisions are recognized when the Fund 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 Fund 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 Fund does 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.

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Contingent assets

The Fund 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 Fund 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 Fund does not create and maintains reserves in terms of specific requirements.

11. Changes in accounting policies and estimates

The Fund 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 Fund has no employees to provides retirement benefits.

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.

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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 Fund regards a related party as a person or an Fund with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties.

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 Fund

The Fund is a County Public Fund established by Lamu County Emergency Fund Act 2017 under the Ministry of Finance. Its ultimate parent is the County Government of Lamu.

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

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

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:

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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 management. The Fund administration committee 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 Fund's short, medium and long-term Funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 Fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The Fund has no 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.

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.

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

ii. Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

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 Fund capital structure comprises of the following Funds:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	40,000,000	0
Accumulated surplus	-15,914,497	40,000,000
Total Funds	24,085,503	40,000,000
Total borrowings	-	-
Less: cash and bank balances	(21,891,000.00)	(40,000,000)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND
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VII. NOTES TO THE FINANCIAL STATEMENTS

REVENUE FROM NON - EXCHANGE

1 TRANSACTIONS	2019-2020 Kshs	2018-2019 Kshs
Transfers from County Government	-	40,000,000
Mortgage Recovery	6,928,173	-
Interest Income	557,330	-
Total	7,485,503	40,000,000

2 Fund Disbursement	2019-2020 Kshs	2018-2019 Kshs
HON. YASIN TWAHA	23,400,000	-
Total	23,400,000	-

3 Bank Accounts

Name of Bank, Account No. & currency	Indicate whether recurrent, Development, deposit, revenue, CRF e.t.c	2019-2020 Kshs	2018-2019 Kshs
Kenya Commercial Bank Lamu County Housing Fund Account No. 1258957574	FUND	21,891,000	40,000,000
Total		21,891,000	40,000,000

Cash and Cash equivalent

Description	2019-2020 KShs	2018/2019 KShs
Lamu County Housing Fund	21,891,000	40,000,000
Others	-	-
Total cash and cash equivalents	21,891,000	40,000,000

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5 Account Receivables

Description		2019-2020	2018/2019
		KShs	KShs
Current Receivables			
Interest receivable		557,330.30	-
Current loan repayments due		1,637,173.05	-
Other exchange debtors		-	-
Less: impairment allowance		-	-
Total Current receivables		2,194,503.35	-

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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)

Note: The Fund has no previous report that has been issued.

LAMU GOVERNMENT – EXECUTIVE STAFF
 HOUSING FUND A/C NO. 1258957574

F. O. 30

BANK RECONCILIATION

AS AT 30TH JUNE 2020

STATION: LAMU

COUNTY

	Sh	Sh	Sh
Balance as per bank statement			21,891,000.00
Less:-			
1 Payments in cash book not in bank statement (Unrepresented Cheques) :			-
2 Receipts in bank statement not recorded in cash book :			
Add:-			
3 Payments in bank statement not in cash book :			-
4 Receipts in cash book not recorded in bank statement :			-
			21,891,000.00

Balance as per Cash book

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Prepared by:

[Signature]
Signature

Ale
Designation

15/07/2020
Date

Checked by:

[Signature]
Signature

Ale
Designation

15/07/2020
Date

Approved by:

[Signature]
Signature

[Signature]
Designation

[Signature]
Date

