

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**TRANS NZOIA COUNTY ASSEMBLY  
(MEMBERS AND STAFF) CAR LOAN AND  
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

| PAPERS LAID        |              |
|--------------------|--------------|
| DATE               | 6/3/2025     |
| TABLED BY          | Dep Maj Whip |
| COMMITTEE          |              |
| CLERK AT THE TABLE | Maalim       |



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**TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR  
LOAN AND MORTGAGE SCHEME FUND.**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2024**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public  
Sector Accounting Standard

***Trans Nzoia County Assembly (Members and Staff) Car Loan and mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024.**

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## **1. Acronyms and Glossary of Terms**

### a) Acronyms

|       |  |
|-------|--|
| BOM   | Board of Management                                |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| PFM   | Public Finance Management                          |
| PSASB | Public Sector Accounting Standards Board           |
| Kshs  | Kenya Shillings                                    |
| C&M   | Car and Mortgage.                                  |

**2. Key Entity Information and Management**

**a) Background information**

The Trans Nzoia County Assembly (members and staff) Car Loan Mortgage Scheme Fund is established under the County Assembly Service Board. The Fund is established by and derives its authority and accountability from the Public Finance Management ACT (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022. The Fund is wholly owned by the Trans Nzoia County Assembly Service Board Government of County government of Trans Nzoia and is domiciled in Kenya. The Fund was established with an initial capital seed of Kshs. 200,000,000 appropriated by the County Assembly in the County Appropriation Amendment Act 2013.

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

**b) Loans Committee.**

| Ref | Name               | Position                 |
|-----|--------------------|--------------------------|
| 1   | Chairperson        | Hon. Edwin Kosgei Koech  |
| 2   | Member             | Hon. Bonface Cheloti.    |
| 3   | Member             | Hon. Andrew Kutitila.    |
| 4   | Member             | Hon. Emily Rono.         |
| 5   | Member             | Hon. James Mwangi Gitau. |
| 6   | Fund Administrator | C.S Lupao Moses Wanjala. |
| 7   | Member             | Hezron Kiplagat Kemboi   |
| 8   | Member             | Elkana Korir Kipkurgat.  |
| 9   | Member             | Edward Katama Ngeywa     |

**c) Key Management team**

| Ref | Name                     | Position                 |
|-----|--------------------------|--------------------------|
| 1   | Fund Administrator.      | C.S Lupao Moses Wanjala. |
| 2   | Fund Accountant.         | Brenda Njata Kusimba     |
| 3   | Director Legal Services. | Edward Katama Ngeywa     |
| 4   | Head of Human Resource   | Elkana Korir Kipkurgat   |

**d) Fiduciary Oversight Arrangements**

| SN | Position                | Name                   |
|----|-------------------------|------------------------|
| 1  | Director Internal Audit | Paul Barasa.           |
| 2  | Loans Committee.        | Hon Edwin Kosgei Koech |

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024***

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**e) Registered Offices**

P.O. Box 4222-30200  
County Assembly Headquarters Building  
County Assembly Street,  
Kitale, KENYA

**f) Fund Contacts**

Telephone: (054- 31380)  
E-mail: [tranzoiacountyassembly@gmail.com](mailto:tranzoiacountyassembly@gmail.com)

**g) Fund Bankers**

1. Family Bank Ltd  
P.O. Box 74145  
00200  
Nairobi, Kenya
  
2. Sidian Bank Ltd.  
P.O. Box 25363  
00603  
Nairobi, Kenya

**h) Independent Auditors**

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




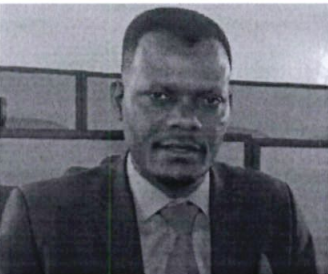
**i) Principal Legal Adviser**

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






**j) County Attorney**

P.O Box 4211- 30200  
Kitale,





**3. Loans Committee.**

| Name   | Details of qualifications and experience   |
|--|--|
|  <p>Hon. Edwin Kosgei Koech<br/>Chairperson</p> | <p>He was elected as a member of the County Assembly Cherangany/Suwerwa ward in 9<sup>th</sup> August 2022 and the leader of majority in October 2022. He is the vice Chairperson to the County Assembly Service Board and Chairperson Loans Committee.</p>  |
|  <p>Hon. Bonface Cheloti<br/>Member.</p>        | <p>He was elected as Member of County Assembly Saboti ward on 9<sup>th</sup> August 2022. He is the minority Whip and is a member to the Loans Committee.</p>  |
|  <p>Lupao Moses Wanjala<br/>Secretary</p>     | <p>He is currently employed by the County Assembly Service Board as the County Assembly Clerk with over 25 years in public service. He is a Certified Public Accountant. He is also a holder of Certified Secretaries of Kenya and Holds Master Degree in Public Policy and Management (Strathmore University). He is charged with the responsibility of overall management of the County Assembly and the Fund.</p> |
|  <p>Hon Andrew Kutitila<br/>Member.</p>       | <p>He was elected a member of County Assembly Sikhendu ward 9<sup>th</sup> August 2022 and the chairperson of Finance Budget Committee in October 2022.</p>  |

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

|   |   |
|---|---|
|    | <p>He was elected member of County Assembly Bidii Ward in August 2022. He is the majority Chief whip in the house and a member of the Loans Committee.</p>  |
| <p>Hon. James Mwangi - Member</p>   |   |
|    | <p>She was elected Member of County Assembly Makutano ward on 9<sup>th</sup> August 2022. She is the chairperson of Catering Labour, social Welfare and Children Committee in the house. She is also a member of the Loans Committee.</p>   |
| <p>Hon. Emily Chepchirchir Rono - Member.</p>                                       |   |
|   | <p>He is currently employed by the County Assembly Services Board as the Director Legal Counsel. He holds a bachelor of Law from Moi University with a Diploma from the Kenya School of Law. He is a holder of Certified Public Secretaries. He has 19 years' work experience as an advocate of the High Court of Kenya. He is charged with the responsibility of providing legal advice.</p> |
| <p>Edward Katama Ngeywa<br/>Member.</p>   |   |
|  | <p>He is currently employed by County Assembly Service Board as Assistant Director Finance. He is serving as the Head of Finance and Accounting department. He is a holder of Bachelors degree in BBM –Finance (Moi University and holds) a Master's Degree in Finance (JKUAT). He has over 10 years in the field of public Finance.</p>  |
| <p>Hezron Kiplagat Kemboi<br/>Member.</p>   |   |
|  | <p>He is currently employed by the County Assembly as the head of Human Resource, he holds a bachelor's degree in Human Resource Management and is currently pursuing a MBA in Human Resource he is incharge of overseeing human resource matters.</p>  |
| <p>Elkana Kipkurgat Korir.<br/>Member.</p>  |   |

**4. Management Team**

|   |  |
|---|--|
|  <p><b>C.S Lupao Moses Wanjala.</b><br/>Fund Administrator.</p>              | <p>He is currently employed by the County Assembly Service Board as the County Assembly Clerk with over 25 years in public service. He is a Certified Public Accountant. He is also a holder of Certified Secretaries of Kenya and Holds Master Degree in Public Policy and Management (Strathmore University). He is charged with the responsibility of overall management of the County Assembly and the Fund.</p> |
|  <p><b>CPA Brenda Njata Kusimba</b><br/>Fund Accountant.</p>                | <p>She is currently employed by County Assembly Service Board as Chief Accountant. She is a Certified Public Accountant and a holder of Bachelors degree in BMIT – BM major ( Kabarak University). She is a holder of MBA in Finance(Catholic University)</p>  |
|  <p><b>Edward Katama Ngeywa</b><br/>Director Legal Services</p>            | <p>He is currently employed by the County Assembly Service Board as the Director of Legal Counsel. He holds a Bachelor of Law from Moi University with a Diploma from the Kenya School of Law. He is a holder of Certified Secretaries. He has 19 years’ work experience as an advocate of the high court of Kenya. His charged with the responsibility of providing legal advice.</p>                               |
|  <p><b>Elkana Korir Kipkurgat.</b><br/>Deputy director Human resource.</p> | <p>He is currently employed by the County Assembly as the head of Human Resource, he holds a bachelor’s degree in Human Resource Management and is currently pursuing a MBA in Human Resource he is incharge of overseeing human resource matters.</p>   |

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024***

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**5. Fund Chairperson's Report.**

It is my pleasure to present the annual reports and financial statements for Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund for the period ended 30<sup>th</sup> June 2024. The Financial Statements present the financial performance of the Fund over the past twelve months. The Loan management committee took over from the previous Board of Trustees whose Term of service came to an end in the 2021/2022 financial year.

**Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund going concern is secured. During this financial year the fund has been able to secure extra funding from the County Assembly to a tune of **Kshs 31,000,000** to enhance the fund's portfolio.

**Review of Performance.**

The fund received interest income of **Kshs 7,254,615** and **Kshs. 483,021** being 1% loan processing fee after disbursing loans to staff members of the County Assembly.

**Expenditures.**

The total expenditures during the period amounted to **Kshs 2,668,394** relating to use of goods and services.

**Appreciation.**

I take this opportunity to express my sincere gratitude and appreciation to the County government, development partners, stakeholders, management staff and fellow trustees for their continued support which made us achieve these results.

I look forward to your continued support in the year 2024-2025.

Signed:



**Hon. Edwin Kosgel Koech.**

**Chairperson of the Board/Fund**

## **6. Report of the Fund Administrator.**

It's is my pleasure to present the financial statements for Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund for the period ended 30<sup>th</sup> June 2024. The Scheme is established under the Public Finance Act (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan & Mortgage Scheme Fund Regulations ,2022, the Regulations have undergone tremendous changes to comply with the Public Finance Act and the Salaries and Remuneration advisories on the operations of Car and Mortgage Schemes. Latest amendment was done in December, 2022.

The fund had a budget allocation of **kshs. 86,357,627** which was later revised to **kshs. 93,065,112**. During the year under review the fund received a total of **kshs. 94,578,170** which constitute transfer from county assembly of **kshs. 31,000,000**, interest income of **kshs. 7,254,615**, processing fee of **kshs. 483,021** and proceeds from loan repayments of **kshs. 55,840,534**. The major challenge that affected the performance include late remittance of loan recoveries due to delay in exchequer disbursements by National Treasury.

During this year under review, a total of **Kshs. 48,726,154.30** was disbursed out to 16 members of Staff and **kshs. 25,398,800** was held by family bank as collateral for loan.

The fund recovered a total of **Kshs. 55,840,534** as principal amount leaving a principal due amount of **Kshs. 2,732,340** as at 30 June 2024. The fund also received **Kshs. 7,254,615** as total interest on loan leaving an interest due amount of **Kshs. 437,093**.

### **Future Outlook.**

In the next financial year 2024/ 2025, the fund intends to disburse a total of **Kshs. 65,000,000 (Sixty-Five million)** to 20 members of staff; this will in turn translate to extra income from interest's earnings

### **Value for Money Achievement.**

The Members of County Assembly and Staff who benefited from the fund have had their livelihoods improved than before through purchase of properties and motor vehicles. The fund on the other hand has achieved value for its money evidenced from total income from loans of **Kshs. 7,254,615** in the period under review. Further at the close of the period, **Kshs. 437,093** was interest due.

### **Management Risk Management Strategies.**

The management's risk strategies of the fund include but are not limited to loan security: All loan applicants are required to provide security as a requirement to qualify for any loan disbursement. This is in form of land title deed that is registered in the name of the person applying for the loan.

*Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Due diligence:** All documents provided for as security are subjected to a background check to ascertain their authenticity for example logbook and title deed search.

**Loan insurance:** All loans disbursed are insured at the cost of the loanee in case of death cases and/or bad debts.

**Loanee Credit worthiness vetting:** It has to be ascertained by the Loan management committee that all loan applicants are creditworthy by checking the payslip ability against the loan being applied for or the remaining period in service against the repayment period.

**7. Statement of Performance against the County Fund’s Predetermined Objectives**

**Progress and Challenges on Attainment Of The Funds Strategic Objectives.**

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

The key development objectives of Trans Nzoia County Assembly (Members and staff) Car Loan and Mortgage Scheme Fund 2023-2027 plan are to;

- a) Provide affordable car loans to members of staff and Members of County Assembly
- b) Provide Mortgage facilities to Members of Staff and Members of County Assembly
- c) Facilitate growth of the fund

| <b>Objective</b>                                 | <b>Outcome</b>  | <b>Indicator</b>                                      | <b>Performance</b>   | <b>Challenges</b>   |
|--|---|---|--|---|
| Provide Car loans and Mortgage to staff members. | Funds were disbursed to staff who applied for loans.  | 16 members of staff benefited                         | The fund disbursed <b>Kshs. 48,726,145.30</b> To 16 staff members. | Late remittance of loan recoveries from the Assembly due to delays in disbursements from National Treasury. |
|  | To provide car loans and Mortgage to Members of Staff | To provide car loans and Mortgage to Members of Staff | To provide car loans and Mortgage to Members of Staff              | Late remittance of loan recoveries from the Assembly due to delays in disbursements from National Treasury. |

## **8. Corporate Governance Statement**

The Fund.

The Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to Public Finance Management Act (No .18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022. Its mandate is to provide Car Loans and Mortgage to members of County Assembly and Staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with fund administration committee at its apex. The roles and functionality of the fund are drawn from Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022

## **9. Management Discussion and Analysis**

The fund has seen tremendous growth and the management have put in place measures to safeguard against risks. The fund activities expose it to a variety of risks including credit and liquidity risks. The fund's overall risk management programmes focus on the unpredictability of changes in the business environment and seeks to minimize 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 members with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and seeks to make sure that statutory requirements relating to the functions of the fund and seeks to make sure that statutory deductions are remitted on time to avoid penalties and interests for non-compliance.

### **Revenue**

The Fund received a total of **Kshs. 31,000,000** from County Assembly to beef up the revolving fund; Interest earned in the year under review was **Kshs. 7,254,615** and **Kshs. 483,021** 1% administrative fees on loans disbursed.



***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**Cash Flows**

In the period under review, the funds disbursed to members of Staff were more compared to the preceding financial year. This was so because of the uptake of mortgage by the new members of Staff of county assembly.

**Operational Performance.**

The Fund's core operating activity has been to offer car loan and mortgage facilities to members of staff and members of the County Assembly at an affordable 3% interest rate per annum.

**10. Environmental and Sustainability Reporting**

**1. Sustainability strategy and profile**

The Trans Nzoia county Assembly (members and staff) car loan and mortgage holds accountability and independence as its core values and uses a participatory and collaborative approach in order to openness and transparency. It has embraced the use of information technology and communication technologies. This has enabled the Fund to promptly communicate with various of its stakeholders.

**2. Environmental performance**

The fund endeavours to go paperless in terms of communication to external parties and stakeholders. To this end, the management has been provided with laptops to facilitate communication.

**3. Employee welfare**

Employees of the fund are hired competitively on merit giving equal opportunities to gender, tribe and ethnicity.

**4. Market place practices-**

The organisation should outline its efforts to:

- a) Trans Nzoia County Assembly (members and staff) competitively source for its services thus giving every supplier equal chance to participate in the tendering.
- b) Payments of services rendered are made promptly as and when the services are provided.
- c) For every public engagement the fund has ensured publication of advertisement in the mainstream media with widest circulation.
- d) Product stewardship-

**5. Corporate Social Responsibility / Community Engagements**

Although the fund hasn't participated in any of the community activities due to lack of adequate resources, Trans Nzoia County Assembly Car and Mortgage Fund Scheme hopes to set aside a budgetary allocation in future once the fund portfolio grows.

***Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024***

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**11. Report of The Trustees**

The Trustees submit their report together with audited financial statements for the period ended 30 June 2024 which shows:

**Principal activities**

The principal activities of the Fund are to provide Loans to members of the County Assembly and Staff of Trans Nzoia County Assembly at an affordable interest of 3%

**Results**

The results of the Fund for the period ended June 30, 2024 are set out on page 1-5.

**Trustees**

The members of the Board of Trustees who served during the period are shown on page v to vii. The changes in the Board during the financial year are as shown below:

**Auditors**

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

By Order of the Board



.....  
**Hon. Edwin Koech Kosgei**

**Chair of the Board/Fund Administration Committee**

**Date: 20 November, 2024.**

## **12. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022 shall prepare financial statements for Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund is responsible for the preparation and presentation of the financial statements, which gives a true and fair view of the state of affairs of the Fund for and as at the end of the period ending June 30, 2024. 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund accepts responsibility of the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Trans Nzoia County Assembly Mortgage Scheme Fund Regulations, 2022. The Administrator of Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund is of the opinion that the financial statements gives a true and fair view of the state of Fund's transactions during the period ended June 30<sup>th</sup>, 2024, and of the financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme 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.

### **Approval of the financial statements**

The Fund's financial statements were approved by the Board on **20 November, 2024** and signed on its behalf by:



**C.S Lupao Moses Wanjala  
Fund Administrator**

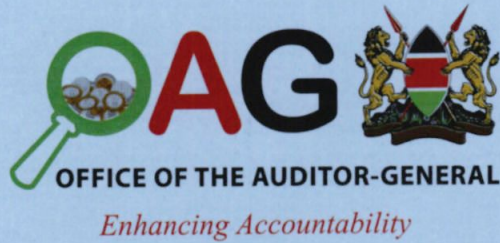


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# REPUBLIC OF KENYA

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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Unmodified Opinion indicates the books of accounts and underlying records agree with the financial statements and that no material misstatements were found. The financial statements present fairly, in all material respects the operations of the entity. An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and working effectively in the financial year under review.

The Unmodified Opinion on the report on the Financial Statements should be read together with the report on the Lawfulness and Effectiveness in the Use of Public Resources, and the report on the Effectiveness of Internal Controls, Risk Management and Governance.

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*Report of the Auditor-General on Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2024*

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2024 and the statement of statement of 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 Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022 and the Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on the 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.

### Emphasis of Matter

#### Non-Performing Loans

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.206,627,186 as disclosed in Note 7B to the financial statements relating to car loan and mortgage balances held by members and staff of Trans-Nzoia County Assembly as at 30 June, 2024. Included in the balance was Kshs.2,759,362 relating to six (6) members of staff who defaulted in repayment of their loans.

In the circumstances, funds may not be available for disbursement to new applicants, and its recoverability could not be confirmed.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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**

#### **Unresolved Prior Year Audit Matters**

As previously reported, recommendations on the issues raised in the audit report for the financial year 2022/2023 and earlier financial years were not submitted for audit verification and clearance. The issues remained unresolved as at the time of audit.

### **Other Information**

The Management is responsible for the other information set out on page iii to xvii which comprise of key entity information and management, chairperson's statement, report of Fund Administrator, statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the trustees and statement of management's responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, 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**

#### **Loans Advanced to Members of the County Assembly Service Board**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.206,627,186 as disclosed in Note 7B to the financial statements. However, an analysis of the repayment schedule provided for audit verification revealed that the Fund had advanced two (2) members of the County Assembly Service Board with mortgages amounting to Kshs.7,000,000 contrary to Regulation 2 of the Trans Nzoia County Assembly (Members and Staff) (Car Loan and Mortgage Scheme Fund) Regulations, 2022 that specifies the members of the Fund as the Speaker, elected and nominated Members and the Clerk of the County Assembly and the staff members.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **1. Lack of Risk Management Policy**

Review of governance documents on internal controls revealed that the Fund does not have a fraud and risk management policy. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

In the circumstances, the security and reliability of the Fund's data including the Management Information System could not be confirmed.

## **2. Failure to Provide Insurance for the Car Loans and Mortgages Advanced**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.206,627,186 as disclosed in Note 7B to the financial statements relating to Car Loan and Mortgage balances held by Members of staff and MCAs of Trans-Nzoia County Assembly. However, a mortgage protection and fire policy from an insurance firm approved by the Board were not provided for audit.

In the circumstances, the security and recovery of the car loan and mortgage issued to the staff and members of the County Assembly could not be guaranteed.

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**02 December, 2024**

**Trans Nzoia County Assembly (Members and Staff) Car Loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024.**

**14. Statement of Financial Performance for the Period Ended 30 June 2024**

| Description                               | Note | 2023/2024        | 2022/2023        |
|---|------|------------------|------------------|
|   |      | Kshs             | Kshs             |
| <b>Revenue From Exchange Transactions</b> |      |                  |                  |
| Interest Income                           | 2    | 7,254,615        | 4,227,279        |
| Other Income                              | 3    | 483,021          | 2,131,480        |
| <b>Total Revenue</b>                      |      | <b>7,737,636</b> | <b>6,358,759</b> |
|   |      |                  |                  |
| <b>Expenses</b>                           |      |                  |                  |
| Use of goods and services.                | 4    | 2,668,394        | 2,510,443        |
| <b>Total Expenses</b>                     |      | <b>2,668,394</b> | <b>2,510,443</b> |
|   |      |                  |                  |
| <b>Other Gains/Losses</b>                 |      | -                | -                |
| Gain/Loss on Disposal of Assets           |      | -                | -                |
| Gain /Loss on fair value of investments   |      | -                | -                |
| <b>Surplus/(Deficit) for the Period</b>   |      | <b>5,069,242</b> | <b>3,848,316</b> |

*(The notes set out on pages 20 to 28 form an integral part of these Financial Statements)*

.....  
**Name: Lupao Moses Wanjala.**  
**Administrator of the Fund**  
**ICPAK Member Number: 8315**

.....  
**Name: Brenda Njata Kusimba**  
**Fund Accountant**  
**ICPAK Member Number: 31479**



**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**15. Statement of Financial Position as at 30 June 2024**

| Description   | Note | 2023/2024          | 2022/2023          |
|---|------|--------------------|--------------------|
|   |      | Kshs               | Kshs               |
| <b>Assets</b>   |      |                    |                    |
| <b>Current Assets</b>   |      |                    |                    |
| Cash and Cash Equivalents   | 5    | 27,609,259         | 12,442,355         |
| Current Portion of Long Term Receivables from Exchange Transactions | 7A   | 25,835,893         | 968,830            |
| <b>Total current assets</b>   |      | <b>53,445,152</b>  | <b>13,411,185</b>  |
| <b>Non-Current Assets</b>   |      |                    |                    |
| Long Term Receivables from Exchange Transactions                    | 7B   | 206,627,186        | 211,009,234        |
| <b>Total non- current assets</b>                                    |      | <b>206,627,186</b> | <b>211,009,234</b> |
| <b>Total Assets</b>   |      | <b>260,072,339</b> | <b>224,420,419</b> |
| <b>Current Liabilities</b>  |      |                    |                    |
| Current Payable-Loan processing fee                                 | 8    | -                  | 417,322            |
| <b>Total Current Liabilities</b>                                    |      | <b>-</b>           | <b>417,322</b>     |
| <b>Net Assets</b>   |      | <b>260,072,339</b> | <b>224,003,097</b> |
| Revolving Fund  |      | 250,496,413        | 219,496,413        |
| Accumulated Surplus/Deficit   |      | 9,575,926          | 4,506,684          |
| <b>Total Net Assets and Liabilities</b>                             |      | <b>260,072,339</b> | <b>224,003,097</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were amended and approved on 20<sup>th</sup> November, 2024 and signed by:

.....  
**Name: Lupao Moses Wanjala**  
**Administrator of the Fund**  
**ICPAK Member Number:8315**

.....  
**Name: Brenda Njata Kusimba**  
**Fund Accountant**  
**ICPAK Member Number: 31479**



**Trans Nzoia County Assembly (Members and Staff) Car Loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024.**

**16. Statement of Changes in Net Assets for the period ended June 30, 2024**

| Description                      | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total       |
|----------------------------------|----------------|---------------------|---------------------|-------------|
|                                  |                | Kshs                | Kshs                | Kshs        |
| Balance As At 1 July 2022        | 153,396,413    | -                   | 658,368             | 154,054,781 |
| Surplus/(Deficit) For the Period | -              | -                   | 3,848,316           | 3,848,316   |
| Funds Received During the Year   | 66,100,000     | -                   | -                   | 66,100,000  |
|                                  |                |                     |                     |             |
| Balance As At 30 June 2023       | 219,496,413    | -                   | 4,506,684           | 224,003,097 |
|                                  |                |                     |                     |             |
| Balance As At 1 July 2023        | 219,496,413    | -                   | 4,506,684           | 224,003,097 |
| Surplus/(Deficit) For the Period | -              | -                   | 5,069,242           | 5,069,242   |
| Funds Received During the Year   | 31,000,000     | -                   | -                   | 31,000,000  |
| Balance As At 30 June 2024       | 250,496,413    | -                   | 9,575,926           | 260,072,339 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were amended and approved on 20<sup>th</sup> November, 2024 and signed by:

.....  
**Name: Lupao Moses Wanjala**  
**Administrator of the Fund**  
**ICPAK Member Number:8315**

.....  
**Name: Brenda Njata Kusimba**  
**Fund Accountant**  
**ICPAK Member Number: 31479**



**Trans Nzoia County Assembly (Members and Staff) Car Loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024.**

**17. Statement of Cash Flows for the Period Ended June 30,2024**

| Description   | Note | 2023/2024           | 2022/2023            |
|---|------|---------------------|----------------------|
|   |      | Kshs                | Kshs                 |
| <b>Cash flows from operating activities</b>                   |      |                     |                      |
| <b>Receipts</b>   |      |                     |                      |
| Interest Income   | 2    | 7,254,615           | 3,258,449            |
| Receipts from other operating activities                      | 3    | 483,021             | 2,131,480            |
| <b>Total receipts</b>   |      | <b>7,737,636</b>    | <b>5,389,929</b>     |
| <b>Payments</b>   |      |                     |                      |
| Fund administration expenses                                  |      | -                   | -                    |
| Use of Goods & services                                       | 4    | 2,668,394           | 2,510,443            |
| <b>Total Payments</b>   |      | <b>2,668,394</b>    | <b>2,510,443</b>     |
| <b>Cash flows from operating activities</b>                   |      | <b>5,069,242</b>    | <b>2,879,486</b>     |
| Less : Increase in Interest receivable                        | 10   | 531,737             | (853,138)            |
| Add: Increase in Accounts Payable                             | 9    | (417,322)           | 417,322              |
| <b>Net cash flows from operating activities</b>               |      | <b>5,183,656</b>    | <b>2,443,670</b>     |
| <b>Cash flows from investing activities</b>                   |      |                     |                      |
| Proceeds from loan principal repayments                       | 7B   | 55,840,534          | 30,728,953           |
| Loan disbursements paid out                                   | 7B   | (48,726,145)        | (213,148,000)        |
| Money held by Family Bank as Collateral                       | 7A   | (25,398,800)        |                      |
| Increase in principal amounts due for the period              | 7B   | (2,732,340)         | (6,494,726)          |
| <b>Net cash flows used in investing activities</b>            |      | <b>(21,016,752)</b> | <b>(188,913,771)</b> |
| <b>Cash flows from financing activities</b>                   |      |                     |                      |
| Proceeds from revolving fund receipts                         | 1    | 31,000,000          | 66,100,000           |
| <b>Net cash flows used in financing activities</b>            |      | <b>31,000,000</b>   | <b>66,100,000</b>    |
| <b>Net increase/(decrease) in cash &amp; cash Equivalents</b> |      | <b>15,166,904</b>   | <b>(120,370,102)</b> |
| Cash and cash equivalents at 1 July 2023                      |      | 12,442,355          | 132,812,457          |
| <b>Cash and cash equivalents at 30 June 2024</b>              |      | <b>27,609,259</b>   | <b>12,442,355</b>    |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were amended and approved on 20<sup>th</sup> November, 2024 and signed by:

.....  
**Name: Lupao Moses Wanjala**  
**Administrator of the Fund**  
**ICPAK Member Number:8315**

.....  
**Name: Brenda Njata Kusimba**  
**Fund Accountant**  
**ICPAK Member Number: 31479**



*Trans Nzoia County Assembly (Members and Staff) Car Loan and mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2024.**

**18. Statement of Comparison Of Budget And Actual Amounts for The Period Ended June 30, 2024.**

|                                | <b>Original budget</b> | <b>Adjustments</b> | <b>Final budget</b> | <b>Actual on comparable basis</b> | <b>% Utilization</b> |
|--------------------------------|------------------------|--------------------|---------------------|-----------------------------------|----------------------|
|                                | <b>2023-2024</b>       | <b>2023-2024</b>   | <b>2023-2024</b>    | <b>2023-2024</b>                  | <b>2023-2024</b>     |
| <b>Revenue</b>                 | <b>Kshs.</b>           | <b>Kshs.</b>       | <b>Kshs.</b>        | <b>Kshs.</b>                      |                      |
| Transfers from County Assembly | 29,364,000             | 1,636,000          | 31,000,000          | 31,000,000                        | 100                  |
| Interest income                | 4,506,684              | 5,071,485          | 9,578,169           | 7,254,615                         | 76                   |
| Income from processing fee     | 678,757                | -                  | 678,757             | 483,021                           | 71                   |
| Proceeds from loan repayments  | 51,808,186             | -                  | 51,808,186          | 55,840,534                        | 107                  |
| <b>Total income</b>            | <b>86,357,627</b>      | <b>6,707,485</b>   | <b>93,065,112</b>   | <b>94,578,170</b>                 | <b>87</b>            |
| <b>Expenses</b>                |                        |                    |                     |                                   |                      |
| Fund administration expenses   | 4,673,544              | -                  | 4,794,184           | 2,668,394                         | 56                   |
| Disbursement                   | 50,000,000             | 23,700,910         | 73,700,910          | 74,124,945                        | 101                  |
| <b>Total expenditure</b>       | <b>54,673,544</b>      | <b>23,700,910</b>  | <b>78,495,094</b>   | <b>76,793,339</b>                 | <b>97</b>            |
| <b>Surplus for the period</b>  | <b>31,684,083</b>      |                    | <b>14,570,018</b>   | <b>17,784,831</b>                 |                      |

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**19. Notes to the Financial Statements**

**Significant Accounting Policies.**

**a) General Information**

**b) 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.

**c) Adoption of new and revised standards**

| <b>Standard</b>                        | <b>Effective date and impact</b>  |
|--|---|
| <b>IPSAS 41: Financial Instruments</b> | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42: Social Benefits</b>       | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>  |

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

| Standard  | Effective date and impact  |
|---|--|
|   | <p>(a) The nature of such social benefits provided by the Entity;<br/>                     (b) The key features of the operation of those social benefit schemes; and<br/>                     I The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>   |
| <p>Amendments to<br/>                     Other IPSAS<br/>                     resulting from<br/>                     IPSAS 41, Financial<br/>                     Instruments</p> | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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> <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<br/>                     to IPSAS</p>   | <p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023</p> |

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

| Standard   | Effective date and impact:  |
|--|---|
| <p>IPSAS 43</p>  | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| <p>IPSAS 44: Non-<br/>                     Current Assets Held</p> | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,<br/>                     Assets that meet the criteria to be classified as held for sale to be</p>   |

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

| <b>Standard</b>                            | <b>Effective date and impact:</b>  |
|--|--|
| for Sale and<br>Discontinued<br>Operations | measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:<br>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. |

**(ii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year .

**1. Significant Accounting Policies**

**d) 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.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**e) Budget information**

The original budget for FY 2023/2024 was approved by the County Assembly on 30/06/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. 31,000,000 on the FY 2023/2024 budget following the governing body's approval.

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

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Significant Accounting Policies (Continued)**

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.

**f) 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.

**g) 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.

**Summary of Significant Accounting Policies (Continued)**

**h) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.***(entity to amend appropriately)** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
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**Summary of Significant Accounting Policies (Continued)**

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
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**Summary of Significant Accounting Policies (Continued)**

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *N/A*.

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**j) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**Significant Accounting Policies (Continued)**

**k) 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.

**l) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**m) 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.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
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**Significant Accounting Policies (Continued)**

**n) Nature and purpose of reserves**

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

**o) 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.

**p) 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.

**q) Foreign currency transactions**

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

***Summary of Significant Accounting Policies (Continued)***

**r) 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.

**s) Related parties**

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

**t) 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.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
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*Summary of Significant Accounting Policies (Continued)*

**u) Comparative figures**

The comparative figures for the previous financial year have been maintained as per the audit certificate.

**v) 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.

*Summary of Significant Accounting Policies (Continued)*

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

**w) Estimates and assumptions –**

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

**x) Useful lives and residual values**

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

The condition of the asset based on the assessment of experts employed by the Entity.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

*Summary of Significant Accounting Policies (Continued)*

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

y) **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.

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the Financial Statement (continued)**

**1. Transfers from County Assembly**

| Description                    | 2023/2024         | 2022/2023         |
|--------------------------------|-------------------|-------------------|
|                                | Kshs              | Kshs              |
| Transfers From County Assembly | 31,000,000        | 66,100,000        |
| <b>Total</b>                   | <b>31,000,000</b> | <b>66,100,000</b> |

**2. Interest income**

| Description                                 | 2023/2024        | 2022/2023        |
|---|------------------|------------------|
|   | Kshs             | Kshs             |
| Interest Income from Mortgage and Car Loans | 7,254,615        | 4,227,279        |
| <b>Total Interest Income</b>                | <b>7,254,615</b> | <b>4,227,279</b> |

**3. Other income**

| Description                        | 2023/2024      | 2022/2023        |
|------------------------------------|----------------|------------------|
|                                    | Kshs           | Kshs             |
| Loan processing fee received       | 483,021        | 2,131,480        |
| <b>Total Other Interest Income</b> | <b>483,021</b> | <b>2,131,480</b> |

**4. Use of Goods and Services**

| Description                                 | 2023-2024        | 2022-2023        |
|---|------------------|------------------|
|   | Kshs.            | Kshs.            |
| Bank Charges – Sidian A/C 01026020002766    | 575              | 600              |
| Bank Charges – Sidian A/C 01026020004444    | 1668             | 6,696            |
| Bank Charges – Family Bank A/c 093000047820 | 1,160            | 3,200            |
| Administration Fee                          | 1,710,711        | 696,447          |
| Legal fees                                  | 954,280          | 1,803,500        |
| <b>Total</b>                                | <b>2,668,394</b> | <b>2,510,443</b> |

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the Financial Statements (Continued)**

**5. Cash and cash equivalents**

| Description                            | 2023-2024         | 2022-2023         |
|--|-------------------|-------------------|
|  | Kshs.             | Kshs.             |
| Sidian – A/c 01026020002766.           | -                 | 1,875,115         |
| Staff Car and Mortgage 01026020004442  | -                 | 455,392           |
| Family Bank A/C -093000047820          | 27,609,259        | 10,111,847        |
| <b>Total Cash And Cash Equivalents</b> | <b>27,609,259</b> | <b>12,442,354</b> |

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

| Financial Institution     | Account number | 2023-2024         | 2022-2023         |
|---------------------------|----------------|-------------------|-------------------|
|                           |                | Kshs.             | Kshs.             |
| <b>a) Current Account</b> |                |                   |                   |
| Sidian Bank Kitale Branch | 01026020002766 | -                 | 1,875,115         |
| Sidian Bank Kitale Branch | 01026020004442 | -                 | 455,392           |
| Family Bank Kitale branch | 093000047820   | 27,609,259        | 10,111,847        |
| <b>Sub- Total</b>         |                | <b>27,609,259</b> | <b>12,442,355</b> |

**6. Cash generated from operations**

| Description   | 2023-2024        | 2022-2023        |
|---|------------------|------------------|
|   | Kshs.            | Kshs.            |
| <b>Surplus/ (Deficit) For the Period Before Tax</b> | <b>5,069,242</b> | <b>2,879,486</b> |
| <b>Adjusted For:</b>                                |                  |                  |
| Interest Income                                     | 7,254,615        | 5,389,929        |
| Other Income  | 483,021          | -                |
| Use of goods and services                           | (2,668,394)      | (2,510,443)      |
|   |                  |                  |
| <b>Working Capital Adjustments</b>                  | <b>71,094</b>    | <b>(435,816)</b> |
| Increase In Receivables                             | 488,416          | (853,138)        |
| Increase in Payables                                | (417,322)        | 417,322          |
| <b>Surplus / deficit</b>                            | <b>5,140,336</b> | <b>2,443,670</b> |

Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
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Notes to the Financial Statements Continued

7. Receivables from exchange transactions

| Description   | 2023/2024          | 2022-2023          |
|---|--------------------|--------------------|
|   | Kshs.              | Kshs.              |
| <b>A. Current Assets</b>  |                    |                    |
| <b>Interest Receivable</b>  |                    |                    |
| Accrued interest receivable from long-term loans of previous years(Balance brought forward)                     | 968,830            | 115,692            |
| Gross interest income due during the period from MCAS   | 4,286,924          | 3,341,308          |
| Gross interest income due during the period from Staff  | 1,998,862          | 770,279            |
|   | <b>7,254,615</b>   | <b>4,227,279</b>   |
| <b>Less: Interest Received during the period</b>  |                    |                    |
| Interest received from MCA'S  | (3,999,120)        | (2,521,768)        |
| Interest received from Staff  | (1,998,862)        | (736,681)          |
| Interest due b/ f received  | (819,540)          |                    |
| <b>Total Interest Receivable for the period</b>   | <b>437,093</b>     | <b>968,830</b>     |
|   |                    |                    |
| <b>Short Term Borrowing</b>   |                    |                    |
| Money held by Family Bank as Collateral   | 25,398,800         | -                  |
| <b>Total Current Portion of Long Term Receivable</b>  | <b>25,835,893</b>  |                    |
|   |                    |                    |
| <b>B. Non-Current Receivables</b>   |                    |                    |
| Balance Brought Forward(B/f)  | 211,009,234        | 21,126,632         |
| <b>Add: Loans disbursed out</b>   |                    |                    |
| Loans disbursed during the period for MCAs  | -                  | 180,350,000        |
| Loans disbursed during the period for Members of Staff  | 48,726,145         | 32,798,000         |
|   | <b>259,735,379</b> | <b>234,274,632</b> |
| Less: Principal Loans recoveries/ Loans Repayment for the period  | (55,840,534)       | (30,728,953)       |
|   | <b>203,894,846</b> | <b>203,545,679</b> |
| <b>Add:</b>   |                    |                    |
| Principal amounts due during the year – MCAs<br>( Amounts not yet remitted to the fund account by the assembly) | 2,732,340          | 6,073,734          |
| Principal amounts due during the year –Staff<br>( Amounts not yet remitted to the fund account by the assembly) | -                  | 420,991            |
| Interest Income due Transferred to current receivable   | -                  | 968,830.00         |
| <b>Total Non- Current Long term Principal Loan repayment due</b>  | <b>206,627,186</b> | <b>211,009,234</b> |

**Notes to the Financial Statement**

**8. Current Payables**

| Description                  | 2023-2024   | 2022-2023      |
|------------------------------|-------------|----------------|
|                              | Kshs.       | Kshs.          |
| Loan administration fee      | 1,710,711   | 1,113,769      |
| Less: Paid during the period | (1,710,711) | (696,447)      |
| <b>Balance b/f</b>           | -           | <b>417,322</b> |

**9. Changes in Payables**

| Description     | 2023-2024        | 2022-2023      |
|-----------------|------------------|----------------|
|                 | Kshs.            | Kshs.          |
| Opening balance | 417,322          | -              |
| Closing balance | -                | 417,322        |
|                 | <b>(417,322)</b> | <b>417,322</b> |

**10. Changes in Receivables**

| Description                                 | 2023-2024        | 2022-2023        |
|---|------------------|------------------|
|   | Kshs.            | Kshs.            |
| Opening balance –Interest Income Receivable | 968,830          | 115,692          |
| Closing balance –Interest Income Receivable | 437,093          | 968,830          |
| <b>Balance B/f</b>                          | <b>(531,737)</b> | <b>(853,138)</b> |

**11. Related party balances**

**Nature of related party relationships**

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

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

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
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**Notes to the Financial Statement (Continued)**

**12. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| Description                                | Total amount<br>Kshs | Fully performing<br>Kshs | Past due<br>Kshs | Impaired<br>Kshs |
|--|----------------------|--------------------------|------------------|------------------|
| <b>At 30 June 2024</b>                     |                      |                          |                  |                  |
| Receivables From Exchange Transactions     | 232,025,986          | 232,025,986              | -                | -                |
| Receivables From Non-Exchange Transactions | -                    | -                        | -                | -                |
| Bank Balances                              | 27,609,259           | 27,609,259               | -                | -                |
| <b>Total</b>                               | <b>259,635,245</b>   | <b>259,635,245</b>       | -                | -                |
| <b>At 30 June 2023</b>                     |                      |                          | -                | -                |
| Receivables From Exchange Transactions     | 210,040,404          | 210,040,404              | -                | -                |
| Receivables From Non-Exchange Transactions | -                    | -                        | -                | -                |
| Bank Balances                              | 12,442,355           | 12,442,355               | -                | -                |
| <b>Total</b>                               | <b>222,482,759</b>   | <b>222,482,759</b>       | -                | -                |

**Notes to the Financial Statement (Continued)**

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

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

**b) Liquidity risk management**

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

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

**c) Market risk**

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

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

**Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund  
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The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

**i. Foreign currency risk**

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

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

| Description                                   |      | Other currencies | Total |
|---|------|------------------|-------|
|   | Kshs | Kshs             | Kshs  |
| <b>At 30 June 2024</b>                        |      |                  |       |
| Financial Assets                              | -    | -                | -     |
| Investments                                   | -    | -                | -     |
| Cash  | -    | -                | -     |
| Debtors/ Receivables                          |      |                  |       |
| <b>Liabilities</b>                            |      |                  |       |
| Trade And Other Payables                      | -    | -                | -     |
| Borrowings                                    | -    | -                | -     |
| <b>Net Foreign Currency Asset/(Liability)</b> | -    | -                | -     |

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

**Notes to the Financial Statement (Continued)**

**Foreign currency sensitivity analysis**

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

| Description             | Change in<br>currency rate | Effect on surplus/<br>deficit | Effect on<br>Equity |
|-------------------------|----------------------------|-------------------------------|---------------------|
|                         | Kshs                       | Kshs                          | Kshs                |
| <b>(Current FY)</b>     |                            |                               |                     |
| Euro                    | 10%                        | -                             | -                   |
| USD                     | 10%                        | -                             | -                   |
| <b>(Comparative FY)</b> |                            |                               |                     |
| Euro                    | 10%                        | -                             | -                   |
| USD                     | 10%                        | -                             | -                   |

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (2022: Kshs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

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**Notes to the Financial Statement (Continued)**

**d) Capital risk management.**

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

| <b>Description</b>                          | <b>FY2023- 2024</b> | <b>FY2022-2023</b> |
|---|---------------------|--------------------|
|   | <b>Kshs</b>         | <b>Kshs</b>        |
| Revolving fund                              | 250,496,413         | 219,496,413        |
| Accumulated surplus                         | 9,575,926           | 4,506,684          |
| <b>Total funds</b>                          | <b>260,072,339</b>  | <b>224,003,097</b> |
|   |                     |                    |
| Less: cash and bank balances                | (27,407,125)        | (12,442,355)       |
| Net debt/(excess cash and cash equivalents) | -                   | -                  |
| <b>Gearing</b>                              | <b>96%</b>          | <b>96%</b>         |

**13. Events after the reporting period**

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

**14. Ultimate and Holding Entity**

The Trans Nzoia County Assembly (members and staff) Car Loan Mortgage Scheme Fund is established under the County Assembly Service Board. The Fund is established by and derives its authority and accountability from the Public Finance Management ACT (No. 18 of 2012) and Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund Regulations, 2022.

**15. Currency**

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

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**2. Annexes**

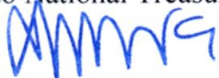
**Annex I: Progress on Follow Up of Prior Year Auditor’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| <b>Reference No. on the external audit Report</b> | <b>Issue / Observations from Auditor</b>                       | <b>Management comments</b>  | <b>Status: (Resolved / Not Resolved)</b> | <b>Timeframe: (Put a date when you expect the issue to be resolved)</b> |
|---|--|---|--|---|
| 1   | Lack of Insurance Policy for loans advanced                    |   | Not Resolved                             |   |
| 2   | Fund Administration fees.                                      |   | Resolved                                 | 2024  |
| 3   | Lack of internal audit and Risk Management Policy of the fund. | The management is working on formulating a risk management policy for the fund. | Not Resolved                             |   |
| 4   | Lack of approved budget, strategic and operational plan.       |   | Not Resolved                             |   |

**Guidance Notes:**

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



**CS Lupao Moses Wanjala**  
Fund Administrator.  
Date: 20<sup>th</sup> November, 2024.

