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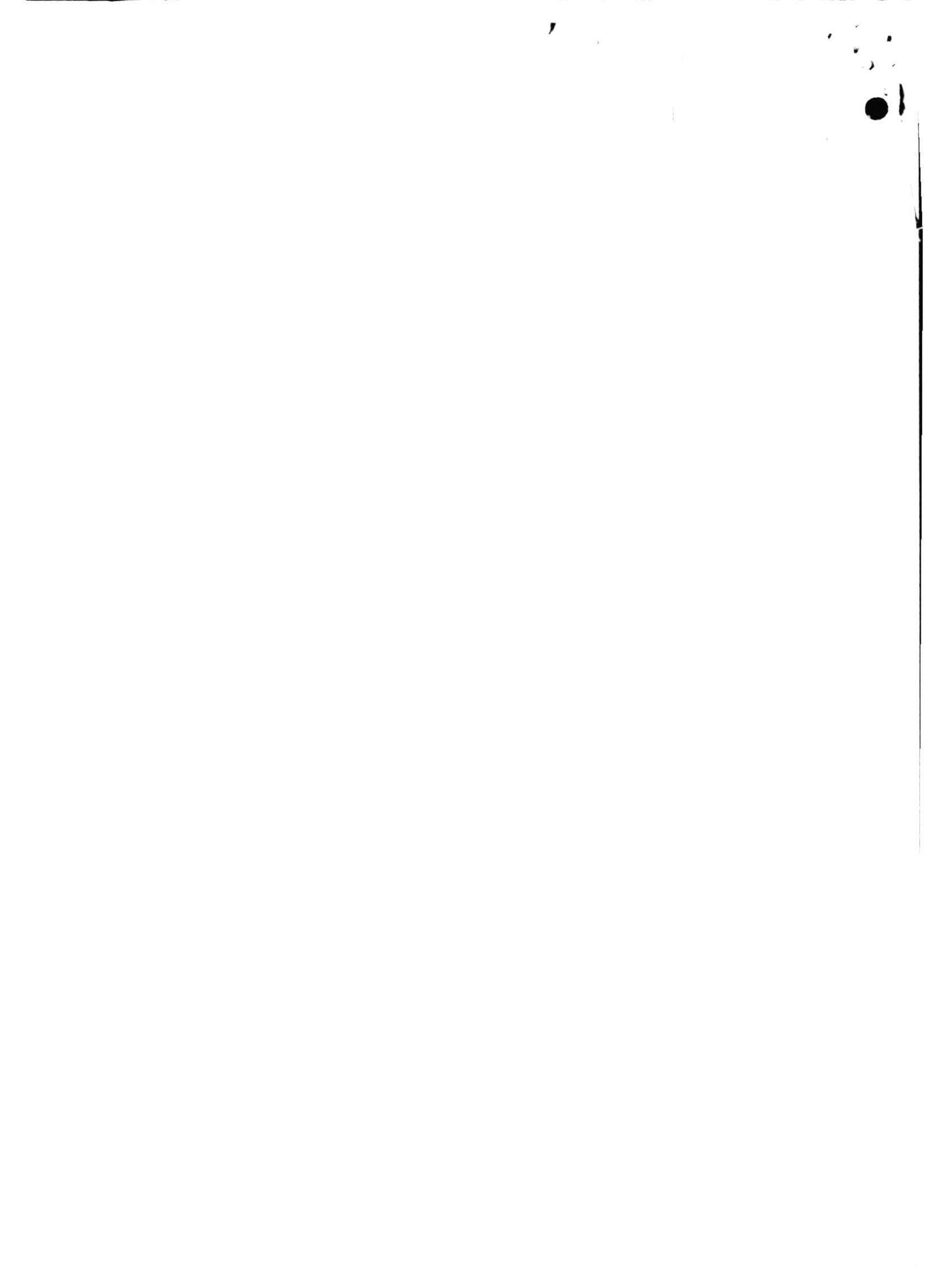
THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY HEALTH
SECTOR SERVICE FUND**

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

| PAPERS LAID | |
|--------------------|---------|
| DATE | 29/3/22 |
| TABLED BY | S-Mt |
| COMMITTEE | - |
| CLERK AT THE TABLE | Denise |





KIRINYAGA COUNTY HEALTH SECTOR SERVICE FUND
(H.S.S.F)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

1. HEALTH SECTOR SERVICE FUNDS INFORMATION AND MANAGEMENT

a) Background information

Health sector service Fund is established by and derives its authority and accountability from legal notice no 79 of 5th June 2009 and legal notice No 401 of 21st December 2007 issued by the National Government. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya

The fund's objective is to improve the quality of health care offered at health facilities

The Fund's principal activity is to cater for facilities payment of utilities and services rendered.

b) Principal Activities

The Fund's principal activity is to cater for facilities payment of utilities and services rendered.

c) Board of Trustees/Fund Administration Committee

| Ref | Name | Position |
|-----|------|----------|
| 1 | N/A | N/A |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

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

d) Key Management

| Ref | Name | Position |
|-----|----------------------------|----------------------|
| 1 | Gladys Kimingi | CECM -Health |
| 2 | Dr. Stanely Muriithi Nyaga | Chief Officer Health |
| 3 | George N. Karoki | Director Health |
| 4 | | |
| 5 | | |

1. HEALTH SECTOR SERVICE FUNDS INFORMATION AND MANAGEMENT

a) Background information

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|-----|------|----------|
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| 3 | | |
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(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

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| 5 | | |

Kirinyaga County Health Sector Service Fund (H.S.S.F)
Reports and Financial Statements
For the year ended June 30, 2020

e) Registered Offices

Kirinyaga County
Department of Health
County headquarters, ground floor
P.O.BOX 260
KUTUS, KENYA

f) Fund Contacts

Telephone: (254) 722 630 601
E-mail: Kirinyaga.go.ke
Website: www.kirinyaga.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Co-operative Bank of Kenya
Kerugoya branch
P.O. BOX 635-10300

h) Independent Auditors

Office of The Auditor General
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

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

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

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

4. MANAGEMENT TEAM

| Name | Details of qualifications and experience |
|--------------|--|
| 1. | Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details |
| 2. | |
| 3. | |
| 4. Manager 4 | |
| 5. Etc. | |
| | |

5. BOARD/FUND CHAIRPERSON'S REPORT

Kirinyaga county Health sector service fund does not have a Fund chairperson.

6. REPORT OF THE FUND ADMINISTRATOR

The financial year 2019/2020 HSSF budget was fully funded and 99.5% utilised.

Signed:  _____ -

Dr Stanley Muriithi Nyaga

7. CORPORATE GOVERNANCE STATEMENT

No corporate social responsibility conducted in financial year 2019/1920

8. MANAGEMENT DISCUSSION AND ANALYSIS

HSSF has enabled the health facilities run its day to day activities accordingly. The fund received Kshs. 11,282,570 and spent Kshs. 11,282,228

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages

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

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

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

1. Sustainability strategy and profile -

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. Community Engagements-

Kirinyaga County Health Sector Service Fund (H.S.S.F)
Reports and Financial Statements
For the year ended June 30, 2020

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

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

10. REPORT OF THE TRUSTEES

Principal activities

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

Results

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

Trustees

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

Auditors

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

By Order of the Board

XXX

Member of the Board

Date: _____

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

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

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

Approval of the financial statements

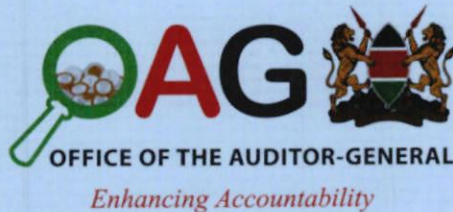
The Fund's financial statements were approved by the Board on 07/07 2021 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY HEALTH SECTOR SERVICE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kirinyaga County Health Sector Service Fund set out on pages 16 to 49, which comprise the statement of financial position as at 30 June, 2020, and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kirinyaga County Health Sector Service Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with County Government Act, 2012, Public Finance Management Act, 2012 and the Government Financial Management (Health Sector Service Fund) (Amendment) Regulations, 2009.

Basis for Qualified Opinion

1.0 Presentation of the Financial Statements

The Fund's financial statements for the year ended 30 June, 2020 reflect the following anomalies which are not in accordance with the Public Sector Accounting Standards Board (PSASB) reporting template issued in June, 2020 and International Public Sector Accounting Standards (IPSAS): -

- i. Public Sector Accounting Standards Board (PSASB) stipulates that the Fund's financial statements should include a list of management team, each containing passport-size photo and name, a concise description of each member's date of birth, key academic and professional qualifications and work experience among other details. However, this information is missing in the Fund's financial statements.
- ii. The reporting template issued by PSASB in June, 2020 require that the statement of performance against Fund predetermined objectives be included in the financial

statements. However, though the same is included at Page 5 to the financial statements, no details have been indicated therein.

- iii. The reporting template requires financial statements to reflect a statement of progress on follow-up of auditor's recommendations. However, although this statement is reflected on Page 49 of the Funds' financial statements, no details have been indicated therein.
- iv. The report of the trustees at Page 13 to the financial statements has not been signed by the member of the Board as required by the reporting template. Further, the report contains various sections whose paragraphs are incomplete and ambiguous as they are not customized with information relevant to the Fund.
- v. The information at pages 11,13, 22, 24, 28, 29, 30, 32 and 34 have not been customized to reflect information relevant to the Fund.
- vi. The Fund's financial statements include a corporate governance statement which indicates that no corporate social responsibility was conducted in the financial year 2019/2020. However, PSASB stipulates that the statement includes the number of board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit which is not included in the statement.
- vii. Page 9 of the Fund's financial statements is not paginated contrary to PSASB.
- viii. The statement of changes in net assets for the year ended 30 June, 2020 at Page 18 to the financial statements reflects a paragraph which states "provide details on the nature and purpose of reserves". However, the said details have not been provided.
- ix. The International Public Sector Accounting Standard (IPSAS) 1 (IG4 at Page 73) stipulate that the statement of financial position should be "as at" and not "for the year ended" as reflected in the Fund's financial statements.

In the circumstances, the Fund's financial statements do not comply with the PSASB and IPSAS prescribed format.

2.0 General Expenses-Unsupported Expenditure Food and Ration

Note 8 to the financial statements reflects Kshs.11,282,228 in respect to general expenses for the year ended 30 June, 2020 which includes Kshs.9,415,728 in respect to consumables which further includes Kshs.5,928,120 in relation to supply of food and ration to the Department of Health.

However, no evidence was provided for audit to confirm that the suppliers were competitively sourced contrary to Article 227(1) of the Constitution of Kenya which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

In addition, contract agreements between the suppliers and the Fund were not availed for audit review contrary to Section 135(2) of the Public Procurement and Disposal Act, 2015 which states that “an accounting officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings”.

In the circumstances, the accuracy and validity of the Kshs.5,928,120 in respect to supply of food and ration could not be confirmed. In addition, the Fund is in breach of the law.

3.0 Misstatement of Revenue

Note 5 to the financial statements reflects to Kshs.4,235 in respect to other income which relates to cheques which were reversed in the cash book during the year under review.

However, inclusion of the Kshs.4,235 as part of revenue is contrary to International Public Sector Accounting Standard (IPSAS) 9 paragraph 12 which states that “revenue includes only the gross inflows of economic benefits or service potential received and receivable by the entity on its own account”.

In the circumstances, the accuracy of Kshs.4,235 in respect to other income during the year under review could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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 of Conclusion

Lack of Health Management Committee

As previously reported, the Kirinyaga County Health Sector Service Fund (HSSF) did not have an approved list of Health Management Committee members contrary Section 2(1)

of the Government Financial Management (Health Sector Services Fund) (Amendment) Regulations, 2009 which requires the establishment of Health Facilities Management Committee comprising of at least seven and not more than nine members.

In the circumstances, the Fund is in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

13. FINANCIAL STATEMENTS

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


| | Note | 2019/2020 | 2018/2019 |
|---|------|----------------------|-----------------------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 1 | 0 | 0 |
| Transfers from the County Government | 2 | 11,282,570.00 | 11,282,570.00 |
| Fines, penalties and other levies | 3 | | |
| | | | |
| Revenue from exchange transactions | | | |
| Interest income | 4 | | |
| Other income | 5 | 4,235.00 | 50,158.00 |
| | | | |
| Total revenue | | 11,286,805.00 | 11,332,728.00 |
| Expenses | | | |
| Fund administration expenses | 6 | | |
| General expenses | 8 | 11,282,228.00 | 11,280,491.00 |
| Finance costs | 9 | | |
| Total expenses | | 11,282,228.00 | 11,280,491 .00 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | 10 | | |
| Surplus/(deficit) for the period | | 4,577.00 | 52,237.00 |


Kirinyaga County Health Sector Service Fund (H.S.S.F)
Reports and Financial Statements
For the year ended June 30, 2020

13.2. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2019/2020 | 2018/2019 |
|--|------|------------------|------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 62,288.00 | 57,711.00 |
| Current portion of long- term receivables from exchange transactions | 12 | | |
| Prepayments | 14 | | |
| Inventories | 15 | | |
| | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | | |
| Intangible assets | 17 | | |
| Long term receivables from exchange transactions | | | |
| | | | |
| Total assets | | 62,288.00 | 57,711.00 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 18 | | |
| Provisions | 19 | | |
| Current portion of borrowings | 20 | | |
| Employee benefit obligations | 23 | | |
| | | | |
| Non-current liabilities | | | |
| Non-current employee benefit obligation | 23 | | |
| Long term portion of borrowings | 20 | | |
| | | | |
| Total liabilities | | | |
| | | | |
| Net assets | | 62,288.00 | 57,711.00 |
| Revolving Fund | | | |
| Reserves | | | |
| Accumulated surplus | | 62,288.00 | 57,711.00 |
| Total net assets and liabilities | | 62,288.00 | 57,711.00 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 07/07 2021 and signed by:


 Administrator of the Fund
 Name: Dr STANLEY MURIITHI


 Fund Accountant
 Name: JOHN K MUNYAKA
 ICPAK Member Number: 14196

13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

| | Revolving Fund | Revaluation Reserve | Accumulated surplus | Total |
|-----------------------------------|----------------|---------------------|---------------------|------------------|
| | | KShs | KShs | KShs |
| Balance as at 1 July 2018 | | | 5,474.00 | 5,474.00 |
| Surplus for the period | | | 52,237.00 | 52,237.00 |
| Funds received during the year | | | | |
| Revaluation gain | | | | |
| Balance as at 30 June 2019 | | | 57,711.00 | 57,711.00 |
| Balance as at 1 July 2019 | | | 57,711.00 | 57,711.00 |
| Surplus for the period | | | 4,577.00 | 4,577.00 |
| Funds received during the year | | | | |
| Revaluation gain | | | | |
| Balance as at 30 June 2020 | | | 62,288.00 | 62,288.00 |

(Provide details on the nature and purpose of reserves)

Kirinyaga County Health Sector Service Fund (H.S.S.F)
Reports and Financial Statements
For the year ended June 30, 2020

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

| | Note | 2019/2020 | 2018/2019 |
|--|------|----------------------|----------------------|
| | | KShs | KShs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | | | |
| Transfers from the County Government | 2 | 11,282,570.00 | 11,282,570.00 |
| Interest received | | | |
| Receipts from other operating activities | | 4,235.00 | 50,158.00 |
| Total Receipts | | 11,286,805.00 | 11,332,728.00 |
| Payments | | | |
| Fund administration expenses | | | |
| General expenses | 8 | 11,282,228.00 | 11,280,491.00 |
| Finance cost | | | |
| | | | |
| Adjusted for: | | | |
| Decrease/(Increase) in Accounts receivable: (outstanding imprest) | 21 | | |
| Increase/(Decrease) in Accounts Payable: (deposits and retention) | 22 | | |
| | | | |
| Net cash flows from operating activities | 24 | 4,577.00 | 52,237.00 |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | | |
| Proceeds from sale of property, plant and equipment | | | |
| Proceeds from loan principal repayments | | | |
| Loan disbursements paid out | | | |
| Net cash flows used in investing activities | | 0 | 0 |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | | |
| Additional borrowings | | | |
| Repayment of borrowings | | | |
| Net cash flows used in financing activities | | 4,577.00 | 52,237.00 |
| Net increase/(decrease) in cash and cash equivalents | | 4,577.00 | 52,237.00 |
| Cash and cash equivalents at 1 JULY | 15 | 57,711.00 | 5,474.00 |
| Cash and cash equivalents at 30 JUNE | 15 | 62,288.00 | 57,711.00 |

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

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % utilisation |
|------------------------------------|-------------------|--------------|-------------------|----------------------------|------------------------|---------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 |
| | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | |
| Public contributions and donations | | | | | | |
| Transfers from County Govt. | 11,282,570 | | 11,282,570 | 11,282,570 | 0 | 100% |
| Interest income | | | | | | |
| Other income | | 4,235 | 4,235 | 4,235 | 0 | 100% |
| Total income | 11,282,570 | 4,235 | 11,286,805 | 11,286,805 | 0 | 100% |
| Expenses | | | | | | |
| Fund administration expenses | | | | | | |
| General expenses | 11,282,570 | 4,235 | 11,286,805 | 11,282,228 | 4,577 | 99.9% |
| Finance cost | | | | - | | |
| Total expenditure | 11,282,570 | 4,235 | 11,286,805 | 11,282,228 | 4,577 | 99.9% |
| Surplus for the period | | | | 4,577 | | |

Budget notes

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13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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

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

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

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| Standard | Effective date and impact: |
|---|---|
| | <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting 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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p> |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2022:</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 to IPSAS</p> | <p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and</p> |

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

e) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

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

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b) Liquidity risk management

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

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

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

2. Transfers from County Government

| Description | 2019/2020 | 2018/2019 |
|--|----------------------|----------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | 11,282,570.00 | 11,282,570.00 |
| Payments by County on behalf of the entity | - | - |
| Total | 11,282,570.00 | 11,282,570.00 |

3. Fines, penalties and other levies

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

(Provide brief explanation for this revenue)

4. Interest income

| Description | 2019/2020 | 2018/2019 |
|-------------------------------------|-----------|-----------|
| | KShs | KShs |
| Interest income from Mortgage loans | - | - |
| Interest income from car loans | - | - |
| Interest income from investments | - | - |
| Interest income on bank deposits | - | - |
| Total interest income | - | - |

(Provide brief explanation for this revenue)

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5. Other income

| Description | 2019/2020 | 2018/2019 |
|--------------------------------------|-----------------|------------------|
| | KShs | KShs |
| Reversal of staled cheque | 4,235.00 | 50,158.00 |
| Income from sale of tender documents | - | - |
| Miscellaneous income | | |
| Total other income | 4,235.00 | 50,158.00 |

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

6. Fund administration expenses

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

7. Staff costs

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

| Description | 2019/2020 | 2018/2019 |
|-------------------------------------|----------------------|----------------------|
| | KShs | KShs |
| Consumables | 9,415,728.00 | 6,363,055.00 |
| Electricity and water expenses | - | 536,110.00 |
| Fuel and oil costs | - | - |
| Insurance costs | - | - |
| Postage | - | - |
| Printing and stationery | 260,000.00 | 180,000.00 |
| Rental costs | - | - |
| Security costs | - | - |
| Telecommunication | - | - |
| Bank Charges | - | - |
| Hospitality | - | - |
| Depreciation and amortization costs | - | - |
| Other expenses | 1,606,500.00 | 4,201,326.00 |
| Total | 11,282,228.00 | 11,280,491.00 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

| Description | 2019/2020 | 2018/2019 |
|--|------------------|------------------|
| | KShs | KShs |
| Xxx Car loan account | - | - |
| Xxx County mortgage account | - | - |
| Fixed deposits account | - | - |
| On – call deposits | - | - |
| Current account | 62,288.00 | 57,711.00 |
| Others | - | -x |
| Total cash and cash equivalents | 62,288.00 | 57,711.00 |

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

| | | 2019/2020 | 2018/2019 |
|----------------------------------|----------------|------------------|------------------|
| Financial institution | Account number | KShs | KShs |
| a) Fixed deposits account | | - | |
| Kenya Commercial bank | | - | - |
| Equity Bank, etc | | - | - |
| Sub- total | | - | - |
| b) On - call deposits | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank - etc | | - | - |
| Sub- total | | - | - |
| c) Current account | | | |
| Co-operative Bank | 01141567072600 | 62,288.00 | 57,711.00 |
| Bank B | | - | - |
| Sub- total | | - | - |
| d) Others(specify) | | - | - |
| Cash in transit | | - | - |
| Cash in hand | | - | - |
| M Pesa | | - | - |
| Sub- total | | - | - |
| Grand total | | 62,288.00 | 57,711.00 |

12. Receivables from exchange transactions

| Description | 2019/2020 | 2018/2019 |
|---|-----------|-----------|
| | KShs | KShs |
| Current Receivables | | |
| Interest receivable | - | - |
| Current loan repayments due | - | - |
| Other exchange debtors | - | - |
| Less: impairment allowance | - | - |
| Total Current receivables | | |
| Non-Current receivables | | |
| Long term loan repayments due | - | - |
| Total Non- current receivables | - | - |
| Total receivables from exchange transactions | - | - |

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Additional disclosure on interest receivable

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

13. Revenue from Non-Exchange transaction

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

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

15. Inventories

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

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

18. Trade and other payables from exchange transactions

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

19. Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

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

22. CHANGES IN ACCOUNTS PAYABLE

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

23. Employee benefit obligations

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

| | 2019/2020 | 2018/2019 |
|---|-----------------|------------------|
| | KShs | KShs |
| Surplus/ (deficit) for the year before tax | 4,577.00 | 52,237.00 |
| Adjusted for: | | |
| Depreciation | - | - |
| Amortisation | - | - |
| Gains/ losses on disposal of assets | (-) | (-) |
| Interest income | (-) | (-) |
| Finance cost | - | - |
| Working Capital adjustments | | |
| Increase in inventory | (-) | (-) |
| Increase in receivables | (-) | (-) |
| Increase in payables | - | - |
| Net cash flow from operating activities | 4,577.00 | 52,237 |

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

25. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

| | 2019/2020 | 2018/2019 |
|---------------------------------|-----------|-----------|
| | KShs | KShs |
| Transfers from related parties' | - | - |
| Transfers to related parties | - | - |

c) Key management remuneration

| | 2019/2020 | 2018/2019 |
|-----------------------------|-----------|-----------|
| | KShs | KShs |
| Board of Trustees | - | - |
| Key Management Compensation | - | -x |
| Total | - | -x |

d) Due from related parties

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

e) Due to related parties

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

26. Contingent assets and contingent liabilities

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

(Give details)

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

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

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

Guidance Notes:

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

