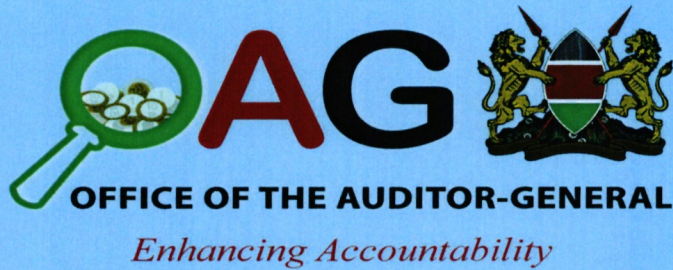


REPUBLIC OF KENYA

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ON

**BUSIA COUNTY ASSEMBLY
REVOLVING FUND**

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



BUSIA COUNTY ASSEMBLY – REVOLVING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

AMENDED

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

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BUSIA COUNTY ASSEMBLY -CAR LOANAND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Busia County Assembly Car loan Scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Busia county Assembly adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed the Office of the Clerk to the Assembly to manage the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of Car loan and Mortgage benefits by state and public officers.

The fund is wholly owned by the County Assembly of Busia and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide Car loans and Mortgage to members of the County Assembly and Staff.

Vision

“The fund of choice for member of the County Assembly and Staff.”

Mission

“To provide affordable, accessible and sustainable Car loans and Mortgage to members of the county assembly and staff.”

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

c) Loans Management Committee

Ref	Name	Position
1	Hon Bernad Mubinja Wamalwa	Chairman
2	Hon Abiud Ochilangole	Vice-Chairman
3	Hon Angela Nafula	Member
4	Hon Benard Odako	Member
5	Hon Eric Kaibe	Member
6	Hon Felix Omanyi	Member

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

7	Hon Beatrice Kanoti	Member
8	Hon Florence owuor	Member
9	Miriam Obura	Member
10	Bonface Mamai	Member

d) Key Management

Ref	Name	Position
1	Cpa. Allan Mabuka	Fund Administrator
2	Cpa. Gabriel Erambo	Principal Finance Officer
3	Maureen Ogombe	Legal
4	Dennis Okoit	Accountant
5	Catherine Eskut	Secretary

e) Registered Offices

P.O. Box 1018 - 50400
 Busia County Assembly Buildings
 Busia - Kisumu /Road/Highway
 Busia, KENYA

f) Fund Contacts

- g) Telephone: (254) 721675217
 h) Cpa Allan Wafula Mabuka
 i) Fund Administrator

j) Fund Bankers

1. Kenya Commercial Bank
Busia Branch
2. Co-operative Bank
Busia Branch

k) Independent Auditors

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

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

D) Principal Legal Adviser

J.O.JUMA & CO ADVOCATES

Mobile:

0727881479

0734877482

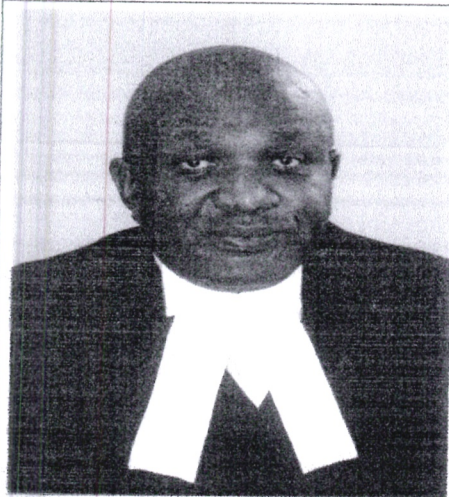
Tel:

020-2219804

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

2. THE LOANS MANAGEMENT COMMITTEE

The Board of trustees during the Financial Year consisted of:



Hon Bernard Wamalwa - Chairman

DOB: 19/4/1967

Academic and professional Qualifications:
Post Graduate Diploma
Lawyer

Work experience: Speaker 2nd term



Hon Abiud Ochilangole – Vice Chairman

DOB: 8/11/1950

Academic and professional Qualifications:
A- Level

Work experience: MCA 2nd term



Hon Angela Nafula – Member

DOB: 1/10/1972

Academic and professional Qualifications:
DIPLOMA

Work experience: MCA 1st term

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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For the year ended June 30, 2020



Hon Bernard Odako-Member

DOB: 23/9/1983

Academic and professional Qualifications:
DIPLOMA

Work experience: MCA 1st term

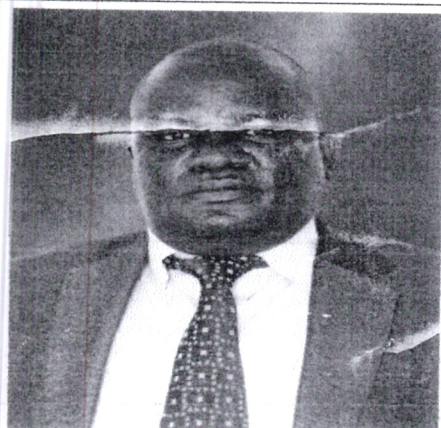


Hon Eric Kaibe-Member

DOB: 4/5/1970

Academic and professional Qualifications:
DIPLOMA

Work experience: MCA 2nd term



Hon Felix Omanyi- Member

DOB: 12/2/1974

Academic and professional Qualifications:
DIPLOMA

Work experience: MCA 1st term

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

	<u>Hon Beatrice Kanoti-Member</u> DOB: 1/8/1980 Academic and professional Qualifications: O- LEVEL Work experience: MCA 1st term
	<u>Hon Florence Owuor-Member</u> DOB: 7/3/1967 Academic and professional Qualifications: DIPLOMA Work experience: MCA 1st term
	<u>Miriam Obura-Member</u> DOB:19/3/1974 Academic and professional Qualifications: BACHELORS Work experience: Board Member 7 years

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020



Bonface Mamai-Member

DOB: 2/3/1969

Academic and professional Qualifications:
BACHELORS

Work experience: Board Member 1st term

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

3. MANAGEMENT TEAM

The management during the financial year consisted of:



CPA Allan Mabuka – Fund Administrator

DOB: 6/8/1974

Academic and professional Qualifications:
BACHELORS
MBA
CPA K
CPS K

Work experience: 20 years in Public Service



CPA Gabriel Erambo – Principal Finance Officer

DOB: 2/7/1973

Academic and professional Qualifications:
BACHELORS
MBA
CPA K

Work experience: 26 years in Public Service



Maureen Okhato Ogombe-Legal Counsel

DOB: 14/06/87

Academic and professional Qualifications:
Post Graduate Diploma
Lawyer

Work experience: 7 years

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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For the year ended June 30, 2020

	<u>Dennis Okoit-Accountant</u> DOB: 30/8/1988 Academic and professional Qualifications: CPA Section I Diploma Work experience: 7 years
	<u>Catherine Eskut- Administrative Assistant</u> DOB: 23/7/1984 Academic and professional Qualifications: BBA Work experience: 11 years

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

4. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the loans management committee, the Busia County Assembly Car loan Mortgage Scheme financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past 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's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Board and Management Changes

The board established a taskforce with the mandate to review and interrogate the adequacy and effectiveness of the fund's organogram in carrying out its mandate and make recommendations. The taskforce carried out the assignment and made several recommendations key among them the automation of the fund's operations. The organisation arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

The fund earned revenues amounting to KShs. 14,858,682 from the interest charged on the loans that were disbursed to members of the County Assembly and the staff.

Projects implementation during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening bank balance of KShs. 25,703,141 at the beginning the year.

Expenditures

The total expenditures during the period amounted to KShs. 933,629 out of which the administration expenses amounted to KShs. 929,300, and finance costs KShs. 4,329.

FUND CHAIRPERSON'S REPORT (Continued)

Future outlook

The outlook of the Fund for 2020/2021 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

and effectiveness in the service delivery. The fund looks forward to continued support from the stakeholders to the realization of its mandate.

Appreciation

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

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

Signed: Wamalwa

Hon Benard Mubinja Wamalwa
Chairman

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Busia County Assembly Car loan and Mortgage Scheme financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the fund had projected revenues of KShs 14,858,682. Out of the projected revenue, the fund was able to realise KShs 14,858,682 in actual revenues, representing 100% performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Public contributions and donations	-	-	%
Transfers from County Govt.	-	-	%
Interest income	14,858,682	14,858,682	100%
Fines, penalties and other levies	-	-	%
Other income	-	-	%
Total income	14,858,682	14,858,682	100%

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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REPORT OF THE FUND ADMINISTRATOR (Continued)

Loans

During the financial year 2019/2020, the fund disbursed 39 new loans bringing the total loan beneficiaries to date to 135.

b) Cash flows

In the FY 2019/2020, we have not had many liquidity disruptions. This was as a result of proper planning and better loan collections.

c) Conclusion

FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable Busia County Assembly Car loan and Mortgage scheme fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

REPORT OF THE FUND ADMINISTRATOR (Continued)

I take this opportunity to thank the loans management committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Busia County Assembly Car loan and Mortgage fund achieves its mission.

Signed: _____

Cpa Allan Mabuka
Fund administrator

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

6. CORPORATE GOVERNANCE STATEMENT

THE MANAGEMENT COMMITTEE

The Busia county assembly car loan and mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans and mortgage scheme 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 the management committee at its apex. The structure is designed to ensure an informed decision making process based on accurate reporting to the committee.

LOANS MANAGEMENT COMMITTEE MEETINGS

The loans management committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The loans management committee also plays an oversight role over all other financial and operational issues. The loans management committee held seven full board and two special board meetings during the FY 2019/2020.

STATEMENT OF COMPLIANCE

The board of trustees confirms that the fund has throughout the FY2019/2020 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The loan committee members are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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STATEMENT OF CORPORATE GOVERNANCE (Continued)

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2019/2020.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Management Team

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

Auditor

The fund is audited by the Auditor-General.

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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7. MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff and members of the county assembly with an established credit history.

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

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs. 14,858,682 from interest charged from the loans disbursed to members of the county assembly and the staff.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and mortgage to members of staff and members of the county assembly. The county government has supported the fund and increased collections from members of staff and members of the county assembly have also added to the fund's better performance.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

The fund currently has four staff seconded from the county assembly service board to carry out operations on a daily basis.

Conclusion

We appreciate the unrelenting support from the loans management committee, management, staff, the county government, and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2020/2021.

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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For the year ended June 30, 2020

8. REPORT OF THE TRUSTEES

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

Principal activities

The principal activity of the Fund is to provide financing to the members of staff and members of the county assembly to purchase cars for personal use and mortgage.

Trustees

The members of the loans management Board who served during the year are shown on page 4. There were no changes in the Board during the FY 2019/20.

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 Benard Mubinja Wamalwa

Chairman of the Board

Date: 30th SEPT 2020

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2020

9. 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 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. 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 30th Sept. 2020 and signed on its behalf by:



Cpa Allan Mabuka

Busia County Assembly Car Loan and Mortgage Fund Administrator

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON BUSIA COUNTY ASSEMBLY REVOLVING FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Busia County Assembly Revolving Fund set out on pages 21 to 44, 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 effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Busia County Assembly Car Loan and Mortgage Scheme (Revolving Fund) as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Busia County Assembly Revolving Fund Act, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies and Incomplete Financial Statements

The financial statement had inaccuracies and unexplained variances as detailed below: -

- i. The statement of financial position reflects long term receivables from exchange transactions amounting to Kshs.416,512,924 which has not been analyzed and as a result, its correctness could not be ascertained.
- ii. In addition, included in the total receivables balance of Kshs.599,518,595 are member loan balances amounting to Kshs.517,261,718. However, the balance of Kshs.517,261,718 differs with the computed amount of Kshs.510,867,906 resulting to unreconciled variance amounting to Kshs.6,393,812.
- iii. Further, the balance of Kshs.517,261,718 differs with members balance of Kshs.466,403,131 reflected in Note 24 to the financial statements by unreconciled variance amounting to Kshs.50,858,587.

- iv. The statement of financial position reflects an amount of Kshs.183,087,572 in respect of current portion of long term receivables from exchange transactions whereas Note 5 reflects an amount of Kshs.183,005,671 resulting to unexplained variance amounting to Kshs.81,901.
- v. The statement of changes in net assets reflects surplus for the year 2019/2020 amounting to Kshs.14,006,954 which differs with the balance of Kshs.13,925,053 shown in the statement of financial performance for the same year by unreconciled variance amounting to Kshs.81,901.
- vi. The statement further reflects revolving fund balance of Kshs.466,403,131 which differs with recomputed balance of Kshs.571,249,842 by unreconciled variance amounting to Kshs.104,846,711.
- vii. The statement reflects prior year adjustments amounting to Kshs.20,192,009 and whose details have not been disclosed. Further, prior year adjustment may arise either as a correction of an error in the financial statements reported for a prior period or change in accounting policy/ estimate from the previous year in accordance with the International Public Sector Accounting Standards (IPSAS) 3.
- viii. The statement of cash flows reflects net increase in cash and cash equivalents balance of Kshs.38,861,316 which differ with recomputed balance of Kshs.38,779,415 by unexplained variance amounting to Kshs.81,901.
- ix. The statement of comparison of budget and actual amounts reflects interest income, fund administration expenses and finance costs budget amounts of Kshs.15,000,000, Kshs.1,000,000 and Kshs.10,000, respectively. However, approved budget document in support of these amounts was not availed for audit.
- x. Further, the Statement reflects nil actual on comparable basis amounts, while the statement of financial performance shows interest income, fund administration expenses and finance costs amounts of Kshs.14,858,682, Kshs.929,300 and Kshs.4,329, respectively. No explanation has been provided for excluding these actual amounts from the Statement.
- xi. In addition, the statement reflects performance difference for finance costs of negative Kshs.14,858,682 which differ with recomputed amount of Kshs.10,000 by unreconciled variance amounting to negative Kshs.14,868,682.
- xii. The percentage (%) utilizations of 85%, 97%, 97%, 97% and 16% against interest income, total income, fund administration expenses, finance cost and surplus for the period are all incorrect, based on the amounts reflected in the statement.

In circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Busia County Assembly Revolving 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 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

Noncompliance with the Reporting Template

The National Treasury requires all County Government entities to prepare financial statements for all the funds and schemes that they operate using County Public Funds and Schemes - IPSAS Accrual Reporting Template for 2019-2020, issued by the Public Sector Accounting Standards Board (PSASB). However, examination of the Fund's reports and financial statements for the year ended 30 June, 2020 reflects the following non-compliance issues:-

- i. The statement of performance against Fund's predetermined objectives was not included in annual reports and financial statements.
- ii. The annual reports and financial statements include "Report of the Trustees" instead of "Report of the Loans Management Committee".
- iii. The Statement of Management's Responsibilities refers to "County Public Fund", instead of "Busia County Assembly Revolving Fund".

In view of the above, the presentation and disclosure of the financial statements do not comply with the reporting Template prescribed by the Public Sector Accounting Standards Board.

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 procedures performed, except for the matters described in the Conclusion on Effectiveness of Internal Controls 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 overall governance were not effective.

Basis for Conclusion

Unremitted Loan Deductions from the Payroll

A review of the loan recovery records revealed that the loan recoveries made from the IPPD are not being remitted and banked intact to the Revolving Fund bank account. Further, based on previous unbanked balances and the recoveries made in the year under review, the outstanding balances of recoveries yet to be banked amounted to Kshs.68,336,326 as detailed below:

Date	Recoveries Kshs.	Bankings Kshs.	Balance Unbanked Kshs.
Balance B/FWD			68,110,860
19-Jul-2019	8,233,565	346,258	75,998,168
19-Aug-2019	8,222,527	8,233,565	75,987,129
19-Sep-2019	8,324,075	-	84,311,205
19-Oct-2019	8,350,816	24,614,079	68,047,942
19-Nov-2019	8,428,511	8,473,618	68,002,835
19-Dec-2019	8,502,658	8,502,658	68,002,835
20-Jan-2020	8,485,418	283,761	76,204,492
20-Feb-2020	8,389,933	283,284	84,311,142
20-Mar-2020	8,386,078	8,386,078	84,311,142
20-Apr-2020	8,322,150	-	92,633,292
20-May-2020	8,317,151	32,614,117	68,336,326
20-Jun-2020	8,411,791	8,411,791	68,336,326
Total	100,374,673	100,149,207	68,336,326

Management has explained that the inability by the County Assembly to remit and bank intact all payroll loan deductions to the Revolving Fund Bank Account was as a result of a shortfall in cash for the Assembly's operations, occasioned by non-disbursement of budgeted revenues amounting to Kshs.375,032,720 by the Busia County Government Treasury during the financial years 2013,/2014, 2014/2015 and 2015/2016.

Consequently, the sustainability of the Fund cannot be confirmed.

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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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

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 of Kenya. 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 addition to the audit of the financial statements, a compliance review 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. The nature, timing and extent of the

compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 time period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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

10 February, 2022

BUSIA COUNTY ASSEMBLY - CAR LOAN AND MORTGAGE FUND
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11. FINANCIAL STATEMENTS

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

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	14,858,682	14,258,642
Total revenue		14,858,682	14,258,642
Expenses			
Fund administration expenses	2	929,300	1,258,600
Finance costs	3	4,329	16,528
Total expenses		933,629	1,275,128
Surplus for the year		13,925,053	12,983,315

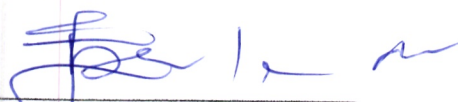
The notes set out on pages 33 to 44 form an integral part of these Financial Statements

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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	4	64,564,457	25,703,141
Current portion of long term receivables from exchange transactions	5	183,087,572	194,719,416
Non-current assets			
Long term receivables from exchange transactions	5	416,512,924	409,543,433
Total assets		664,164,953	629,965,990
Net assets			
Revolving Fund		571,249,842	571,249,842
Accumulated surplus		92,915,111	58,716,148
Total net assets and liabilities		664,164,953	629,965,990

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 30th June 2020 and signed by:


 Administrator of the Fund
 Name: CPA Allan Mabuka


 Principal Finance officer
 Name: CPA Gabriel Erambo

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

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2018	571,249,842	47,007,761	618,257,603
Surplus for the year	-	12,983,514	12,983,514
Prior year adjustments	-	(1,275,127)	(1,275,127)
Balance as at 30 June 2019	571,249,842	58,716,148	629,965,990
Balance as at 1 July 2019	571,249,842	58,716,148	629,965,990
Surplus for the year	-	14,006,954	14,006,954
Prior year adjustments	-	20,192,009	20,192,009
Balance as at 30 June 2020	466,403,131	92,915,111	559,318,242

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

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	14,858,682	14,258,642
Total Receipts	1	14,858,682	14,258,642
Payments			
Fund administration expenses		929,300	1,258,600
Finance cost		4,329	16,528
Total Payments		933,629	1,275,128
Net cash flows from operating activities		13,925,053	12,983,514
Adjusted for:			
Decrease in accounts receivables		4,662,353	7,580,232
Prior year adjustments		20,192,009	(1,275,127)
Net increase/(decrease) in cash and cash equivalents		38,861,316	19,288,619
Cash and cash equivalents at 1 JULY	4	25,703,141	6,414,522
Cash and cash equivalents at 30 JUNE	4	64,564,457	25,703,141

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

	Original budget 2019	Adjustments 2019	Final budget 2019	Actual on comparable basis 2020	Performance difference 2019	% utilisation 2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	15,000,000	-	15,000,000	-	15,000,000	85%
Total income	15,000,000	-	15,000,000	-	15,000,000	97%
Expenses						
Fund administration expenses	1,000,000	-	1,000,000	-	1,000,000	97%
Finance cost	10,000	-	10,000	-	(14,858,682)	97%
Total expenditure	1,010,000	-	1,010,000	-	13,930,853	100%
Surplus for the period	13,990,000	-	13,990,000	-	28,930,853	16%

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11.6. 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	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2019 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit schemes by doing away with the corridor approach.

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 40: Public Sector Combinations	Applicable: 1st January 2020: 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 which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

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

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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 is determined by estimating future cash receipts through the expected life of the financial asset to that asset's 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 Loans management committee on 10th May 2018. 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.

The entity's budget is prepared on a different basis to the actual income and expenses disclosed in the financial statements. The financial statements are prepared on an 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 are 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 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 12.5 of these financial statements.

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

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

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.

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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.

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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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

The 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 Fund Administrator and the Fund Accountant.

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the ABC county assembly.

20. Currency

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

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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.

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 18.

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.

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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 company's management based on prior experience and their assessment of the current economic environment.

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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 company 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 customers.

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.

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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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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 company'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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage and car loan)	14,858,682	14,258,642
Total	14,858,682	14,258,642

These refer to interests received from the loans disbursed to members of the county assembly and the staff.

2. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Committee allowances	929,300	1,258,600
Total	929,300	1,258,600

3. Finance costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Bank charges	4,329	16,528
Total	4,329	16,528

4. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current account (4 a)	64,564,457	25,703,141
Total interest income	64,564,457	25,703,141

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4 (a) detailed analysis of the cash and cash equivalents

Financial institution		FY2017/2018	FY2016/2017
	Account number	KShs	KShs
Current account			
Kenya Commercial Bank	1149641134	7,026,456	3,564,048
Co-operative Bank	01141238176000	57,538,001	22,139,093
Grand Total		64,564,457	25,703,141

5. Receivables from exchange transactions

Description	FY2019/2020	FY2019/2020
	KShs	KShs
Current receivables		
Interest receivable	14,858,682	14,258,642
Current loan repayments due	85,890,211	88,429,642
Due from the county assembly	13,920,452	23,920,452
Unremitted payroll loan deductions	68,336,326	68,110,680
Total current receivables	183,005,671	194,719,416
Non-current receivables		
Long term loan repayments due	416,512,924	409,543,433
Total Non-current receivables	416,512,924	409,543,433
Total receivables from exchange transactions	599,518,595	604,262,849

6. Cash generated from operations

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Surplus for the year before tax	-	12,983,514
Adjusted for:		
Finance cost	4,329	16,528
Working capital adjustments		
Decrease in receivables	4,662,353	-
Total	-	13,000,042

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Related party balances

1) Due from related parties

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Due from the county assembly	13,920,452	23,920,452
Total	13,920,452	23,920,452

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CHANGES IN RECEIVABLES (member balances)

Description of the error	FY2019/2020	FY2018/2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	512,231,537	497,362,617
Prior year adjustment	20,192,009	-
Account receivable issued during the year (B)	40,104,488	111,318,477
Accounts receivables settled during the year (C)	85,932,894	96,449,557
Net changes in account receivables D=A+B-C	466,403,131	512,231,537

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12. PROGRESS ON FOLLOW UP OF AUDITOR 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)
1.	Presentation of financial statement FY 2018/2019	The financial statements were amended	Gabriel Erambo PFO	Resolved	FY2019/2020
2.	Inaccuracies in the financial statements	The financial statements were amended	Gabriel Erambo PFO	Resolved	FY2019/2020
2.1	Statement of financial Assets and Liabilities	The financial statements were amended	Gabriel Erambo PFO	Resolved	FY2019/2020
2.2	Statement of cash flows	The financial statements were amended	Gabriel Erambo PFO	Resolved	FY2019/2020
2.3	Statement of comparison of budget and actual amount	The financial statements were amended	Gabriel Erambo PFO	Resolved	FY2019/2020
2.4	Discrepancy between financial statement and trial balance	The Discrepancy was finally reconcile	Gabriel Erambo PFO	Resolved	FY2019/2020
2.5	Inconsistent loans recovery from the payroll	Loan recoveries on going	Allan Mabuka Clerk to Assembly	Ongoing	FY 2020/2021-FY 2023-2024

