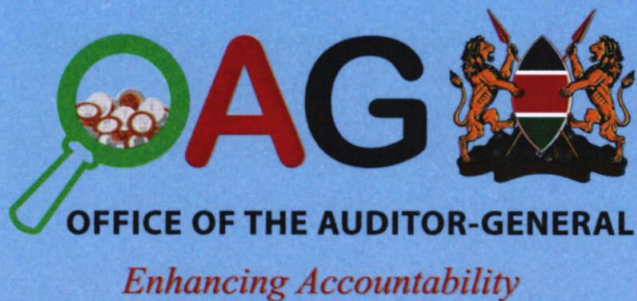


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

**TRANS NZOIA COUNTY EXECUTIVE CAR
LOAN AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**

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



TRANS NZOIA COUNTY (EXECUTIVES) CAR LOAN AND MORTGAGE
FUND SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
SCHEME**

Annual Report and Financial Statements for the year ended June 30, 2024

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TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND SCHEME

Annual Report and Financial Statements for the year ended June 30, 2024

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
Annual Report and Financial Statements for the year ended June 30, 2024

1. Key Entity Information and Management

a) Background information

Trans Nzoia County Executives Car Loan and Mortgage Fund is established by and derives its authority and accountability from Trans Nzoia County Executive Car Loan & Mortgage Scheme Fund Regulations, 2023 and Section 116 of Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for purchase of Motor Vehicles or Land for development, renovation or repair of residential property by members of the Scheme

Principal Activities of the Fund is to provide loans and/ or mortgage to members at affordable interest to purchase personal cars and/or renovate and put up descent residents.

b) Fund Administration Committee

Ref	Name	Position
1	Chairperson	Hon. Boniface Wanyonyi Cosmas
2	CEC Health-Member	Hon. Samson Ojwang
3	CEC. Gender, Sports ,Youths & Women	Hon. Stanley Kirui
4	Chief Officer Finance- Member	CPA Emmanuel Wafula Masungu
5	County Attorney- Member	Charles Walioli
6	CEC Lands, Physical Planning Housing	Hon. Janerose Mutama
7	Secretary- Member	CPA Wanyonyi Kirato Wanjalalah

c) Key Management Team

Ref	Name	Position
1	Fund Administrator- C.O. Finance	CPA Emmanuel Wafula Masungu
2	Fund Accountant	CPA Caroline Chebet

d) Fiduciary Oversight Arrangements

(i) Internal Audit Department

The Internal Audit Directorate reviews internal control on revenue/Appropriate-in-aid and accounting from to time-to-time and advise on deviation from approved levels and reviews budget controls, ensures Government assets, stores, supplies are appropriately recorded and kept safely.

(ii) Finance and Accounting

This directorate ensures that all Government assets and records kept safely, ensures timely and accurate preparation of reports, interprets and implements financial regulations and procedures, Treasury circulars, letters, instructions, and ensuring expenditures are within the voted allocations and preparation of update and accurate books of accounts.

(iii) Budget department

The county prepares annual budget, which is approved by the county assembly, then the budget is uploaded in the IFMIS for Implementation. The budget department prepares quarterly reports that are submitted to the Controller of Budget for monitoring and expenditures controls and taking appropriate corrective action required. The budget department also revises the budget estimates through supplementary.

(iv) County Assembly Public Investment and Accounts committee

This committee has the mandate of interrogating all the financial reports and statements from the Auditor General Office.

(v) Staff car Mortgage & car Loan Advisory Committee

e) Registered Offices

P.O. Box 4211-30200
Town Hall Building
County Head Quarter
Kitale, KENYA

f) Fund Contacts

Telephone: (254) 30301/2
E-mail: tnzoiacounty@gmail.com
Website: www.transnzoia.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity Bank
Account Number: 0330 277 826 034
P.O. Box 4211-30200
Kitale, Kenya.
3. SBM Bank
Account Number: 0402 405 993 001
P.O. Box 4211-30200,
Kitale, Kenya.

Key Entity and Management (Continued)

h) Independent Auditors

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

i) Principal Legal Adviser

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

j) County Attorney

The County Legal Attorney
P.O. Box 4211-30200
Town Hall, County Head Quarter.
Kitale-Kenya

2. Fund Chairperson's Report

The Trans Nzoia County Government developed and approved the Trans Nzoia State and Public Officers Car Loan & Mortgage Loan Fund in the year 2018. The purpose of the fund is to promote both social and economic welfare of the staff by ensuring that they are facilitated to own residential houses and have cars. The fund is guided by the regulation of The Public Finance Management (Trans Nzoia County Executive) Car Loan and Mortgage Scheme Fund of 2018.

In the year under review, the County Government disbursed loans to more members. The fund appointed SBM Bank as a fund administrator on the behalf of the county and an MOU on the same was entered between the County Government and The SBM Bank.

Sustainability

The objective of identifying a bank as a Fund administrator was equally to explore ways of enhanced sustainability by further resource mobilization, financing capabilities and investments to attain on its mandate in a going concern.

Review of Performance

Income and Expenditures:

The County government was able to inject in an additional capital of KSH. 45,000,000 (Forty-five million) only. In this period, the fund raised Kshs. 4,459,384 in form of interests.

The expenditure in form of Fund Administration Costs and General Expenses amounted to Kshs. 23,830 and Kshs. 30,739 respectively

Appreciation:

I take the opportunity to express my gratitude and appreciation to the board committee for their stewardship of the fund to greater heights since the establishment of the fund. Further to the achievement attained, I look further for better engagements so as to achieve the aspirations of the fund in the coming periods.



~~Hon.~~ Wanjala Pepela (Dr)
Chairperson of the Fund

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
SCHEME**

Annual Report and Financial Statements for the year ended June 30, 2024

3. Fund Administrator's Report

I present the Trans Nzoia Executive County Car Loan/Mortgage Loan scheme fund for the period FY 2023/2024. From inception of the fund, the fund capital has grown to Ksh. 178,379,626 after the addition of Kshs. 45,000,000 as transfer by the county from CRF to the fund.

The fund was able to disburse a total of Kshs.30,730,000 to the members. This a record high since the inceptions of the fund. The fund cash and cash equivalents at the closure of the FY amounted to Kshs. 112,400,914 This is a good indication on a going concern.

Going forward, the future is promising on meeting the mandate of the fund. Appreciation goes to the fund management team and other county staffs for their endless support of the fund.



CPA Emmanuel W. Masungo

ICPAK Member: 19966

Fund Administrator

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

Introduction

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

The key development objectives of the Trans Nzoia County Executives Car Loan and Mortgage Fund as per the strategic plan for 2018-2022 are to:

- a) To provide loans to members at affordable interest to purchase personal cars
- b) To provide mortgage to members to renovate and or put up descent residents

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loan	To provide loans to members at affordable interest to purchase personal cars	Increased number of members of staff owning cars	Number of members of staff with cars	In FY 2022/2023, we increased loan access by members of staff
Mortgage	To provide mortgage to members to renovate and or put up descent residents	Increased members of staff owning houses. Improved living conditions of members.	Number of members living in their own houses	Increased loan access by members of staff.

5. Corporate Governance Statement

The Executive County Government of Trans Nzoia Car Loan & Mortgage Loan scheme is a revolving fund established pursuant to the SRC circular SRC/ADM/CIR/1/13 VOL.11 (128) of 17th December 2014 and the PFM act 2012, section 167.

The mandate of the fund is providing loans for Car and Mortgage to the executive staff members of the county. The fund aspires to be compliant with the regulatory and supervisory governance requirements as per the existing legislations.

6. Management Discussion and Analysis

The fund has seen tremendous growth and the management have put in place measures to safeguard against risks. The fund activities expose it to a variety of risks including credit and liquidity risks. The fund's overall risk management programmes focus on the unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The fund does not hedge any risks and has in place policies to ensure that credit is only extended to members with an established credit history.

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

Revenue

The Fund received a total of Kshs. 45,000,000 from County Executive to beef up the revolving fund; Interest earned on exchange transactions in the year under review was Kshs. 4,459,384 while Kshs. 23,830 and Kshs 30,739 was incurred on Fund administrative expenses and General Expenses respectively.

Cash Flows

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

Operational Performance.

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

7. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

The Trans Nzoia county Executive Car Loan and Mortgage holds accountability and independence as its core values and uses a participatory and collaborative approach in order to openness and transparency. It has embraced the use of information technology and communication technologies. This has enabled the Fund to promptly communicate with various of its stakeholders.

2. Environmental performance

The fund endeavours to go paperless in terms of communication to external parties and stakeholders.

3. Employee welfare

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

4. Market place practices-

The organisation should outline its efforts to:

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

5. Corporate Social Responsibility / Community Engagements

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

Internal Control and Risk Management:

Internal Control

The fund committee is 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 safe guard of assets against unauthorised use.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control. There were no significant weaknesses identified during the financial year 2023/2024.

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and Policies through committee meetings. The team meets regularly to ensure that the committee have meetings as per the regulations and on need basis.

Auditors

The Office of the Auditor General (O.A.G) audits the Fund. 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.

8. 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 Public Finance Act, 2012* (*The Trans Nzoia County Executive Management Regulations, 2018*) 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, 2023. 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, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

The Fund's financial statements were approved by the Board on 27/11/ 2024 and signed on its behalf by:



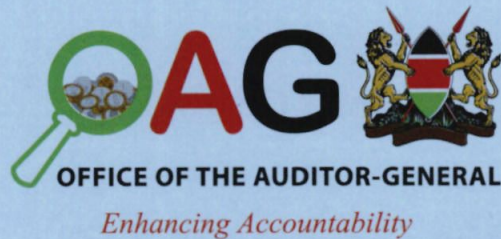
Name: CPA Emmanuel W. Masungo
ICPAK Number: 19966
Administrator of the County Public Fund

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
SCHEME**

Annual Report and Financial Statements for the year ended June 30, 2024

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for intended purpose; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2024, statement of financial performance, statement of changes in net assets, statement of cashflows 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 Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund Regulations, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalentents

The statement of financial position reflects cash and cash equivalentents balance of Kshs.112,400,914 as disclosed in Note 6 to the financial statements. However, the bank reconciliation statement for one of the bank accounts with a balance of Kshs.111,009,178 was not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalent could not be confirmed.

2. Unsupported Loan Disbursements

Review of documents revealed that the Fund disbursed a total of Kshs.30,730,000 to six (6) members of the County Executive. However, the loan applications forms, securities of the loans and the minutes of the approving committee were not provided for audit review.

In the circumstances, the accuracy and the completeness of loan disbursements amounting to Kshs.30,730,000 could not be confirmed.

3. Unsupported Current Receivables

The statement of financial position reflects current receivables balance of Kshs.667,263 as disclosed in Note 7A to the financial statements which was not supported with a

schedule or a ledger. In addition, the balance has been outstanding for more than one (1) financial year and therefore should be reflected as long-term receivables.

In the circumstances, the accuracy and completeness of the current receivables balance of Kshs.667,263 could not be confirmed.

4. Unsupported Trade and Other Payables

Statement of financial position reflects trade and other payables - sundry payables balance of Kshs.5,000,000 as disclosed in Note 10 to the financial statements. However, the balance was not supported with schedules and invoices to confirm the details of the payables.

In the circumstances, the accuracy and completeness of the trade and other payables – sundry payables balance of Kshs.5,000,000 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.55,100,000 while actual revenue receipts were Kshs.49,522,946 resulting in a shortfall of Kshs.5,577,054 or 10% of the budget. Similarly, the final expenditure budget was Kshs.55,100,000 while the actual expenditure was Kshs.45,054,569 resulting in under-expenditure of Kshs.10,045,431 or 18% of the budget.

The shortfall in revenue and under-expenditure may have negatively affected planned programs of the Fund.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on page iii to xii which comprise of Key Entity Information and Management Fund, Chairperson's Report,

Report of the Fund Administrator, Statement of Performance against County Fund's Predetermined Objectives, Corporate Governance Statement, Report of The Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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 for Conclusion

1. Unsecured Loans

The statement of financial position for the Fund as at 30 June, 2024 shows receivables from exchange transactions amount of Kshs.44,879,260. However, a review of the loan records revealed that the loans were not secured in any form contrary to Regulation 16(1) of the Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2018 which requires that the County Government shall have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of title for such property.

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

2. Defaulted Loan Repayments

Review of the records revealed that loan disbursements amounting to Kshs.10,652,082 related to former members of staff of the County Government which were not being recovered for a period of more than one (1) year. This was contrary to Regulation 18 of the Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2018 which requires that the committee may call in a loan, and in default sell the motor vehicle or

charged property by public auction where the borrower is in breach of the terms under the agreement or covenant contained in the charge of the mortgage instrument.

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

3. Lack of Approved Budget for the Fund

The statement of comparison of budget and actual amounts reflects a balanced budget of Kshs.55,100,000 for both total income and expenditure. However, the amounts were not supported by a detailed approved budget contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 which requires an Accounting Officer to prepare estimates of income and expenditure of the entity in conformity with its strategic plan.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Effectiveness in Implementation of Audit Recommendation

The Fund was established on 28 June, 2018 with the objective of providing members with loan scheme for the purchase of motor vehicles and purchase, development, renovation or repair of residential property. Further, statutory audits of the fund for the 2017/2018 to 2022/2023 financial years were concluded and audit certificates issued. However, there was no evidence by the Management of the Fund to confirm that the audit recommendations were implemented.

In the circumstances, the effectiveness in implementation of audit recommendations could not be confirmed.

2. Inaction on Internal Audit Reports by the Board

Review of records revealed that the Audit Work Plan provided was not approved by the audit committee while the plan was not shared with the Accounting Officer. Further, it was noted that the Audit Committee prepared a Charter but as at the time of audit in September, 2024, the Charter had not been approved and signed by the Governor and the Chairperson of the Audit Committee.

In the circumstances, the effectiveness of the internal audit function could not 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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the Receiver of Revenue's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2024

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
SCHEME**

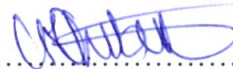
Annual Report and Financial Statements for the year ended June 30, 2024

10. Statement of Financial Performance for the Year Ended 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue From Exchange Transactions			
Interest Income	2	4,459,384	2,119,950
Other Income	3	63,562	-
Total Income		4,522,946	2,119,950
Total Revenue		4,522,946	2,119,950
Expenses			
Fund Administration expenses	4	23,830	-
General Expense	5	30,739	419,213
Total Expenses		54,569	419,213
Other Gains/Losses		-	-
Gain/Loss on Disposal of Assets		-	-
Surplus/(Deficit) for the Period		4,468,377	1,700,737



.....
Name: CPA Emmanuel W. Masungo
Administrator of the Fund
ICPAK Member Number; 19966




.....
Name: CPA Caroline Chebet
Fund Accountant
ICPAK Member Number: 26048


TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
Annual Report and Financial Statements for the year ended June 30, 2024

11. Statement of Financial Position as at 30 June 2024

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	6	112,400,914	71,538,892
Current Receivables	7	667,263	667,263
Total current assets		113,068,177	72,206,156
Non-Current Assets			
Long Term Receivables from Exchange Transactions	7B	44,879,260	58,936,679
Sundry Debtors-County Treasury borrowing	9	35,563,774	12,900,000
Total Non- Current Assets		80,443,034	71,836,679
Total Assets		193,511,211	144,042,834
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	10	-	5,000,000
Total current liabilities		-	5,000,000
Non-Current Liabilities			
Trade and Other Payables from Exchange Transactions	10	5,000,000	-
Total Liabilities		5,000,000	5,000,000
Net Assets		188,511,211	139,042,834
Revolving Fund		178,379,626	133,379,626
Accumulated surplus		10,131,585	5,663,208
Total Liabilities		188,511,211	139,042,834

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 27/11 2024 and signed by:


 Name: CPA Emmanuel W. Masungo
 Administrator of the Fund
 ICPAK Member Number:19966


 Name: CPA Caroline Chebet
 Fund Accountant
 ICPAK Member Number: 26048

TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND SCHEME

Annual Report and Financial Statements for the year ended June 30, 2024


12. Statement of Changes in Net Assets for the year ended 30th June 2024

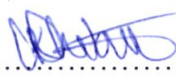
Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	73,379,626	-	2,702,689	76,082,315
Surplus/(Deficit) For the Period	-	-	1,259,782	1,259,782
Funds Received During the Year	10,000,000	-	-	10,000,000
Balance As At 30 June 2022	83,379,626	-	3,962,471	87,342,097
		-		
Balance As At 1 July 2022	83,379,626	-	3,962,471	87,342,097
Surplus/(Deficit) For the Period	-	-	1,700,737	1,700,737
Funds Received During the Year	50,000,000	-	-	50,000,000
Balance As At 30 June 2023	133,379,626	-	5,663,208	139,042,835
		-		
Balance as at 1st July 2023	133,379,626	-	5,663,208	139,042,834
Surplus/(Deficit) for the period	-	-	4,468,377	4,468,377
Funds received during the year	45,000,000	-	-	45,000,00
Balance as at 2024	178,379,626	-	10,131,585	188,511,211

TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND
Annual Report and Financial Statements for the year ended June 30, 2024

13. Statement of Cash Flows for the Year Ended 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	2	4,459,384	1,602,843
Receipts from other operating activities	3	63,562	-
Total receipts		4,522,946	1,602,843
Payments			
Fund administration expenses	4	23,830	-
General expenses	5	30,739	419,213
Total Payments		54,569	419,213
Adjusted for:			
Decrease In Accounts receivable	7B	-	7,092,551
Decrease/(Increase) In Accounts payables	10	-	5,000,000
Net cash flows from operating activities		4,468,377	13,276,181
Cash flows from investing activities			
Proceeds from loan principal repayments	7B	44,787,419	-
Loan disbursements paid out	7B	(30,730,000)	-
Net cash flows used in investing activities		14,057,419	-
Cash flows from financing activities			
Proceeds from revolving fund receipts	1	45,000,000	50,000,000
Inter-Entity Lending (County Executive)	9	(22,663,774)	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		22,336,226	50,000,000
Net increase/(decrease) in cash & cash Equivalents		40,862,022	63,276,181
Cash and cash equivalents at 1 July 2023	6	71,538,892	8,262,711
Cash and cash equivalents at 30 June 2024	6	112,400,914	71,538,892


 Name: CPA Emmanuel W. Masungo
 Administrator of the Fund
 ICPAK Member Number: 19966


 Name: CPA Caroline Chebet
 Fund Accountant
 ICPAK Member Number: 26048

TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND SCHEME
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Comparison of Budget and Actual Amounts for the Period

Description	Original budget 2022/23	Adjustments	Final budget 2022/23	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	B	C=(a+b)	D	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Govt.	50,000,000	-	50,000,000	45,000,000	5,000,000	90%
Interest Income	5,000,000	-	5,000,000	4,459,384	540,616	89%
Other Income	100,000	-	100,000	63,562	36,438	36%
Total Income	55,100,000	-	55,100,000	49,522,946	5,577,054	90%
Expenses						
Loans to be disbursed	50,000,000		50,000,000	45,000,000	5,000,000	90%
Fund Administration Expenses	3,000,000	-	3,000,000	23,830	2,976,170	0.8%
General Expenses	2,100,000	-	2,100,000	30,739	2,069,261	1.5%
Total Expenditure	55,100,000	-	55,100,000	45,054,569	10,045,431	82%
Surplus For the Period	-	-	-	4,468,377	(4,468,377)	

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

1. General Information

Trans Nzoia County Executives Car Loan and Mortgage Fund entity is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Trans Nzoia County Government and is domiciled in Kenya. The entity’s principal activity is to provide loans to members at affordable interests to purchase personal cars and renovate/or put up descent residents.

2. 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.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1 st January 2024 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>Impact:</i></p> <p><i>There was no impact of the amendment to the IPSAS 21 with respect to the current financial report as the entity doesn’t have Non-Cash generating Assets and neither it have impaired cash generating assets.</i></p>
IPSAS 42: Social Benefits	Applicable: 1 st January 2024 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: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	
Other improvements to IPSAS	Applicable: 1 st January 2024 <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Standard	Effective date and impact
	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.

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs.45, 000,000 on the FY 2022/2023 budget following the governing body's approval.

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

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/page 8 of these financial statements.

c) 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.

d) 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.

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

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

e) Investment property

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

f) Financial instruments

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified

Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Summary of Significant Accounting Policies (Continued)

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

d) 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

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Significant Accounting Policies (Continued)

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.

e) 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.

f) Social Benefits

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

g) 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.)

h) 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.

Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Summary of Significant Accounting Policies (Continued)

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.

i) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

j) 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.

k) 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.

l) 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.

Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024
Summary of Significant Accounting Policies (Continued)

m) 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.

n) 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.

o) 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.

p) Comparative figures

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

1. 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.

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Summary of Significant Accounting Policies (Continued)

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

- 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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

15. Notes to the Financial Statements

1. Transfers from County Government

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers From County Govt. –Operations	45,000,000	50,000,000
Total	45,000,000	50,000,000

2. Interest income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest Income from Mortgage Loans & Car Loans	4,459,384	2,119,950
Total Interest Income	4,459,384	2,119,950

3. Other Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest earned on deposits	63,562	-
Total Interest Income	63,562	-

4. Fund Administration Expenses

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Loan Processing Costs: Roselyne and Dorothy	7,830	-
Payroll deduction	16,000	-
Total	23,830	-

5. General Expenses

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Bank error correction	-	400,000
Bank charges	23,296	19,213
Withholding Tax	7,444	
Total	30,740	419,213

**Trans Nzoia County Executives Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

6. Cash and cash equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Account: Equity Bank	1,391,736	7,948,190
Current Account: SBM Bank	111,009,178	63,590,702
Total Cash And Cash Equivalents	112,400,914	71,538,892

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

Financial Institution	Account number	2023/2024	2022/2023
		Kshs	Kshs
a) Current Account			
Equity Bank	*0330277826034	1,391,736	7,948,190
SBM Bank	*0402405993001	111,009,178	63,590,702
Sub- Total		112,400,914	71,538,892
Grand Total		112,400,914	71,538,892

7. Receivables from exchange transactions

Description	2023/2024	2022/2023
	Kshs	Kshs
7A. Current Receivables		
Interest Receivable from current from previous year	667,263	150,156
Total Gross Interests receivable during the year	4,459,384	2,119,950
Interest receivable during for the year	5,126,647	2,270,106
Less: Interest received during the year	4,459,384	(1,602,843)
Total Current Receivables	667,263	667,263
7B. Non-Current Receivables		
Current Portion of Long term loans from previous years	58,936,679	68,929,230
Current portion of long-term loans issued in current year	30,730,000	7,275,041
Principal Accounts receivable issued during the year	89,666,679	76,204,271
Less: Principal Loan recoveries	(44,787,419)	(17,267,593)
Total Non- Current Receivables	44,879,260	58,936,679
Total Receivables From Exchange Transactions	45,546,523	59,086,835

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Additional disclosure on interest receivable

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Receivables		
Interest receivable from current portion of long-term loans of previous years	667,263	150,156
Total Gross Interest receivable during the year	4,459,384	2,119,950
Interest receivable during the year	5,126,647	2,270,106
Less: Interest received during the year	(4,459,384)	(1,602,843)
Total Current loan repayments due	667,263	667,263
Non-Current receivables		
Account receivable from previous year b/f	58,936,679	68,929,230
Current portion of long-term loans issued in the current year	30,730,000	7,275,041
Total Principal Accounts receivable issued in the year	89,666,679	76,204,271
Less: Principal Loan recoveries	(44,787,419)	(17,267,593)
Total Non-Current Receivables	44,879,260	58,936,679
Total receivable from exchange transactions	45,546,523	59,086,835

8. Cash generated from operations

Description	2023/2024	2022/2023
	Kshs	Kshs
Surplus/ For the Year Before Tax	4,468,377	3,972,471
Adjusted For:		
Interest income during the year	-	1,602,843
Working Capital adjustments	-	-
Increase in receivables	-	(4,820,201)
Increase in payables	-	-
Net cash flow from operating activities	(4,468,377)	(12,475,027)

9. Sundry Debtors

Description	2023/2024	2022/2023
County Treasury borrowing	12,900,000	10,000,000
Imprest account	22,663,774	12,900,000
Total during the year	35,563,774	22,900,000
Less refunds during the year	-	(10,000,000)
Total	35,563,774	12,900,000

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10. Sundry Payables

Description	2023-2024	2022-2023
Balance brought Forward	5,000,000	-
Add: County Treasury Borrowing	-	5,000,000
Total borrowing during the year	5,000,000	5,000,000
Less: Repayments/ refunds	-	-
Total	5,000,000	5,000,000

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16. Annexes

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

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


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Financial statement not supported by ledger balances</p> <p>The financial statement reflect cash and cash equivalent balance, interest income and general expense amounts of Kshs. 71,538,892 , Kshs.2,119,950 and Kshs. 419,213 respectively. The three accounts have been supported with general ledger. The other amounts and balances reflected in the financial statements have not however been supported by ledger accounts and trial balance.</p> <p>In the circumstance, the accuracy and completeness of the balances in the financial statements could not be confirmed.</p>	The management has prepared the response and will engaged the auditor with the view of resolving the issue	Not Resolved	2024
2.	<p>Accuracy of Transfers from County Government</p> <p>The statement of financial performance reflects nil transfer from County which Kshs.14,379,626 reflected in the statement of comparison of budget and actual amounts. Further, the cash flows statement of net assets reflects proceeds received during the financial year of Kshs. 50,000,000 while the statement of comparison of budget and actual amounts reflects an amount of Kshs. 14,379,626. The variances have not been explained</p> <p>In the circumstances, the accuracy of the transfers from County Government could not be ascertained.</p>	The management has prepared the response and will engaged the auditor with the view of resolving the issue	Not Resolved	2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Other Matter- Unresolved Prior Year Matters</p> <p>Basis for Conclusion</p> <p>1. Unsecured Loan Kshs. 59,603,942</p> <p>The statement of financial position reflect current and Longterm receivables exchange transactions balances of Kshs.667,263 and Kshs. 58,936,679 respectively, and both totalling Kshs. 59,603,942. Review of the loan records revealed that the loans were not secured contrary to to Section 10(2) of the Public Finance Management (Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations,2018. The Regulations provides for that the log book of a motor vehicle subject to a loan from the Fund shall be kept in the custody of the Fund Administrator until the loan is repaid in full. Further, section 16(1) requires the County Government to have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of title for such property. In the circumstance , the funds of the scheme may not be lost through default by loanees as the Fund Management have no recourse to a registered security to recover the amounts</p>	The management has prepared the response and will engaged the auditor with the view of resolving the issue	Not Resolved	2024
	<p>2. Irregular Withdrawal of Funds</p> <p>The statement of financial position reflect sundry debtors balance Kshs. 12,900,000 being transfer from the Fund's bank account to County Executive's standing Imprest account. No reason was provided for using the Funds</p>	The management has prepared the response and will engaged the	Not Resolved	2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>resources on other unauthorized and budgeted for activities contrary to Regulation 116(4) of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations,2018. The regulations states that the administrator of a county public fund shall ensure that money held in the fund, including any earnings or accruals referred to in subsection (3) is spent only for the purpose for which the fund is established</p> <p>In the circumstances, management was in breach of the law.</p>	<p>auditor with the view of resolving the issue</p>		
	<p>3. Lack of Approved Budget for the Fund</p> <p>The statement of comparison of budget and actual amounts reflects total income and total expenditure budget amounts of Kshs. 52,119,950 and kshs. 8,619,950 respectively. The amounts were however, not supported by an approved budget contrary to Section 149(2) of Public Finance Management Act, 2012 that requires an accounting Officer to prepare estimates of income and expenditure of the entity in conformity with its strategic plan.</p> <p>In this circumstance, management was in breach of the law.</p>	<p>The management has prepared the response and will engaged the auditor with the view of resolving the issue</p>	<p>Not Resolved</p>	<p>2024</p>


CPA. Emmanuel W. Masungo
Fund Administrator.

Trans Nzoia County Executives Car Loan and Mortgage Fund