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REPORT

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THE AUDITOR-GENERAL

ON

UASIN GISHU COUNTY EXECUTIVE MORTGAGE AND CAR LOANS SCHEME FUND

FOR THE YEAR ENDED 30 JUNE, 2020

PAPERS LAID

DATE	09/03/2022
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COUNTY GORVERNMENT OF UASIN GISHU

MORTGAGE AND CAR LOANS SCHEME 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)

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1.KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County is constituted as per the constitution of Kenya 2010 is headed by the County Governor, who is responsible for the general policy and strategic direction of the County. The objective and purpose of the fund is to provide employees mortgage loans scheme for purchase, development, renovation or repair of residential property and /or car loan scheme for purchase of cars by members of staff of the county (state officers and public officers).

b). Key Management

Ref	Name	Position
1	JACKSON MANDAGO	H.E Governor
2	DANIEL CHEMNO	H.E D. Governor
3	EDWIN BETT	County Secretary
3	JULIUS K. RUTTO	County Executive Member, Finance & Economic Planning

b) Principal Activities

Principal activities of the Fund is to provide financing to the members of staff to purchase cars for personal use and acquire/construct residential houses.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	ANNE KOECH	Chief officer Public Service Management. Chair to the Committee for the past one year.
2	PETER CHESOS	Chief officer for finance. Has been a member of the fund since inception in 2015
3	SILAS RONOH	Fund administrator since inception of the fund and is also the director for finance.

(This Fund does not have a Board of Trustees)

d). Registered Offices

P.O. Box 40-30100
County Hall Building
Uganda Road
ELDORET, KENYA

e). Fund Contacts

Telephone: (254) -053-2016215,
053-2016125
053-2016000
E-mail: info@uasingishu.go.ke
Website: www.uasingishu.go.ke

f). Fund Bankers

Equity Bank
P.O. Box
Eldoret Market Branch
ELDORET, KENYA

g). Independent Auditors

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

h). Principal Legal Adviser

The County Attorney
County Hall
Uganda Road
P.O. Box 40 - 30100
Eldoret, Kenya

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

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

(This Fund does not have a Board of Trustees)

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'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 objectives of Uasin Gishu County Government Car Loan and Mortgage Fund 2018-2022 plan are to:

Provide a mortgage loan scheme for purchase, development, renovation or repair of residential property and /or car loan scheme for purchase of car by at least 25% of all members of staff of the county (state officers and public officers).

Progress on attainment of Strategic objectives

Below is the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Finance & Economic Planning	provide financing to the members of staff to purchase cars for personal use and acquire/construct residential houses	Increased staff motivation and hence improved effectiveness and efficiency at work	Number of staff who will have accessed the facility	In FY 19/20, we increased the number of staff who accessed the facility by eleven (11) members with total loan of Kshs. 64,100,000.

4. MANAGEMENT TEAM

	Name	Details of qualifications and experience
	1. ANNE KOECH	Chief officer Public Service Management. Chair to the Committee for the past one year. Bachelor of education Arts, hons, diploma in HRM. 29 years' experience, 22 years in postal corporation of Kenya and 7 years in Uasin Gishu county.
	2. PETER CHESOS	Chief officer for finance and been a member of the fund since inception. Bachelor of commerce, over 26 years working experience in the banking sector and the county Government of Uasin Gishu as chief officer trade and industrialization and finance.
	3. SILAS RONOH	Is a Fund administrator since inception of the fund and he is also the director for finance. Bachelor of business management (accounting), CPAK, CPSK. Previously worked as an accountant in the local government for ten years and county government of Uasin Gishu as an accountant for three years.

5. BOARD/FUND CHAIRPERSON'S REPORT

From inception the fund has had three Chairpersons with the current office holder having taken up the position for the past one year. The Chairperson is always the Chief Officer for Public Service Management as stipulated in the funds regulations of 2015, while the other chief officers are members of the Fund together with the Fund administrator. Currently only three members sit in the management team i.e. the Chairperson, Chief Officer for finance and the Fund administrator.

The fund has since received a total funding from the County Government to tune of Kshs. 216,348,290. The fund disbursed Kshs 64,100,000 to eleven (11) members of staff during the year under review.

Thirty seven (37) members of staff have benefited from the fund since inception, bringing the total distribution to Ksh. 265,800,000 to date.

The fund is anticipated to grow and give loan to at least 25% eligible members of staff by the year 2022 with an asset base of at least Kshs one (1) billion.

I would like to thank the County Government under the able leadership of H.E the Governor for the continued support offered to the fund during the period. In addition, the Fund Administrator for the time and sacrifice in spearheading the preparation of annual financial statement for the fund. I also wish to re-affirm our commitments to enhanced financial discipline and fiscal responsibilities for the betterment of our County.

Signed: _____

Anne J. Koech
.....
Name of Chairperson

6. REPORT OF THE FUND ADMINISTRATOR

Uasin Uishu County Executive Mortgage and Car Loan Scheme Fund was established in, 2015/2016 financial year in order to enable the County Executive staff purchase, develop, renovate or repair residential property and also purchase private motor vehicle. In the financial year 2019/2020 Kshs 15,000,000 was budgeted to cater for the county executive staff car loan and mortgage facility. From the inception of the fund a total of Kshs 265,800,000.00 was disbursed, to various county staff, while repayments received from inception to date in terms of principal and interest amounted to Kshs 34,082,789 and Kshs 17,525,259 respectively. The principal amount received in the year under review is Kshs 16,081,903 while interest received amounted to Kshs. 6,373,765. The amount due during the year was Kshs 29,946,482 in principal and Kshs. 6,561,124 in interest leaving a balance due of Kshs. 13,864,579 in principal and Kshs. 187,359 in interest respectively.

Finally, let me take the earliest opportunity to thank all members of the technical team for their time and sacrifice in preparing the annual financial statement. I also wish to re-affirm our commitments to enhanced financial discipline and fiscal responsibilities for the betterment of our county.

Signed: _____-
SILAS K. RONOH

7. CORPORATE GOVERNANCE STATEMENT

Separation of role of Chairman from the fund administrator

The committee Chairman is responsible for providing leadership to the fund while the fund administrator is responsible overseeing and managing the operations of the fund.

Conflicts of Interest

The fund is under a fiduciary duty to act honestly and in the best interests of the fund. The committee is expected to ensure that they avoid putting themselves in positions where their self-interests' conflict with their duty to act in the best interests of the fund and make any declaration of any conflicts that may have arisen in the course of their duty. A member must refrain from discussion or voting on matters of potential conflict of interests. Individual members are also required to declare their interest before participating in committee meetings and are excluded from deliberations in the case of any potential conflicts of interest.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Since the formation of the fund in the year 2016, a number gaps have been identified in the regulations governing the body. In this respect therefore, we have initiated the process of amending the staff car loan and mortgage regulations Act 2015, so as to incorporate the appointment and roles of the fund administrator to the fund. The administrator of staff car loan and mortgage fund shall have the power to provide mechanisms for disposal of property vested in him upon default subject to any restriction which may be imposed on his behalf by the will appointing him.

All the current loans issued have been subjected to the terms and conditions as laid out in the mortgage regulations (18) 0f 2015 and unlike the earlier loans issued the repayment period is now limited to the term of office for employees who are serving on contract terms while those on permanent employment, their loan shall be repaid within their term of service.

During the year, the fund administrator confirmed that based on the previous instructions issued to the previous beneficiaries to proceed and fully charge their properties, failure to which the salaries for officers who are still in the service of Uasin Gishu County Executive shall be attached forthwith, the following charged securities had so far been received.

Name Of Beneficiary	Type Of Charge	Amount
Enoch Muigei	Mortgage	10,000,000
Mary W. Njogu	Mortgage	6,100,000
Robert Ngisirei	Mortgage	6,100,000
Gideon Birir	Mortgage	6,100,000
Anne Koech	Mortgage	3,750,000
Joywin Sang	Mortgage	3,900,000

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Many corporations today have come to the realization that there are enormous benefits to be derived from being socially responsible in the societies they operate. Today, the argument is no longer about being a good corporate citizen on the part of businesses but the ability of businesses to communicate their social contributions to stakeholders.

1. **Sustainability strategy and profile -**
   Modern business is facing big demands from all sorts of groups today – particularly if you work in a sustainability function. From business colleagues, there are always demands to justify budgets, improve performance and do more for less. In relations with the fund, we are focusing more on staff benefitting in the long run. I'm hopeful that these can help the fund on its journey to make it sustainable and more enjoyable, impactful and beneficial for your organisation. Ultimately, we think this is all about more success in the long-term. That means financial sustainability, but also understanding a purpose beyond.
2. **Environmental performance**
   At the moment the fund does not provide environmental sustainability programmes
3. **Employee welfare**
   Employee welfare means anything done for the comfort and (intellectual or social) improvement of the employees, over and above the wages paid. In simple words, it means "the efforts to make life worth living for workmen." It includes various services, facilities and amenities provided to employees for their betterment.
4. **Market place practices-**
   At the moment the fund does not provide.
5. **Community Engagements-**
   At the moment the fund does not provide though in future the fund endeavours to do so.

10. REPORT OF THE TRUSTEES

...e Trustees 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 activities of the Fund are providing loans to members of staff.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 15-19

Trustees

The fund does not have trustees at the moment.

Auditors

The office of 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.

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Uasin Gishu County staff mortgage and car loan scheme established by the fund regulations of 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

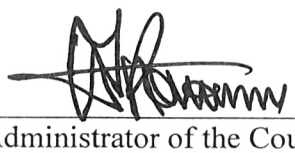
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Uasin Gishu County Car Loan And Mortgage Fund Regulations 2015 (7). 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, 2018, 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 _____ 2020 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UASIN GISHU COUNTY EXECUTIVE MORTGAGE AND CAR LOANS SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Uasin Gishu County Executive Mortgage and Car Loans Scheme Fund set out on pages 15 to 49, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Uasin Gishu County Executive Mortgage and Car Loans Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Uasin Gishu County Staff Mortgage and Car Loans Scheme Fund) Regulations, 2015.

Basis for Qualified Opinion

1.0 Over Due Loans from Members Not in the Service

As reported in the previous year, included in the receivables of Kshs.217,254,539 as at 30 June, 2020 is an amount of Kshs.29,320,513 related to six (6) Executive Committee Members who had left the service of the County between November, 2017 and January, 2018. Although the Management has indicated that arrangements have been made in order to ensure that full settlement of the principal together with interest accrued is cleared after commitment was sought from the beneficiaries, no evidence was provided in support of the same.

Under the circumstances, the recoverability of Kshs.29,320,513 due from the six (6) former County Executive Committee Members as at 30 June, 2020 is in doubt.

2.0 Unsecured Staff Mortgage and Car Loans

As reported in the previous year, included in the current and long-term receivables from exchange transactions balance of Kshs.233,077,886 as at 30 June, 2020 is car and mortgage loans totalling to Kshs.50,784,511 advanced in 2015/2016 and 2016/2017 financial years. However, the loans were disbursed to the applicants without charges being registered against the respective properties financed by the loans as jointly owned by the county government and the borrowers. Although the Management of the Fund indicated that, the documents were forwarded to their appointed lawyer for charging, no progress appear to have been made as at the 30 June, 2020.

Consequently, the Management is in breach of the regulations governing the issuance and recovery of loans and the recoverability of the unsecured amounts could not be confirmed as at 30 June, 2020.

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

Key Audit Matters

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

Other Matter

Budgeted Revenue Not Received

The statement of comparison of budget and actual amounts for the period ended 30 June, 2020 reflects original budget receipt of Kshs.15,000,000 which was also included in the Uasin Gishu County Government printed budget estimates for the financial year 2019/2020. This amount was adjusted by Kshs.43,763,474 in respect of the fund account balance brought forward resulting to a final budget figure of Kshs.58,763,474. However, the budgeted receipt of Kshs.15,000,000 was not received and no explanation was provided for this anomaly.

Consequently, the Uasin Gishu County Executive Mortgage and Car Loans Scheme Fund did not receive adequate funding, a situation that might have adversely affected provision of services to members during 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 audit 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 resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Performing and Under Recoveries of Mortgage Loans

The statement of financial position as at 30 June, 2020 reflects current and long-term receivables totalling to Kshs.233,077,886. However, an audit of loan repayments and loan amortization schedules revealed loan under recoveries amounting to Kshs.15,024,224. Further, review of documents availed for audit revealed that, total amount of Kshs.778,708 was not recovered from four (4) members of staff who defaulted contrary to section 12(1) of the Mortgage and Car Loans Regulations.

The Management was therefore in breach of the law.

2.0 Unresolved Prior Year Audit matters

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Consequently, the Fund Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain 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 and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

13. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	60,000,000
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	6,561,124	3,523,969
Other income	5	-	-
		6,561,124	**63,523,969**
Total revenue		**6,561,124**	**63,523,969**
Expenses			
Fund administration expenses	6	-	-
Staff costs	7		
General expenses	8	20,280	11,370
Finance costs	9	-	-
Total expenses		**20,280**	**11,370**
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		**6,540,844**	**63,512,599**

The notes set out on pages 20 to 47 form an integral part of these Financial Statements

Administrator of the Fund
Name:

Fund Accountant
Name: NELLY J. BIRGEN
ICPAK Member Number 20588

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	2,098,862	43,763,474
Current portion of long- term receivables from exchange transactions	12	15,823,347	183,377,788
Revenue from Non-Exchange transaction	13		
Prepayments	14	-	-
Inventories	15	-	-
		17,922,210	**227,141,262**
Non-current assets			
Property, plant and equipment	16	-	-
Intangible assets	17	-	-
Long term receivables from exchange transactions	18	217,254,539	227,141,262
		217,254,539	**227,141,262**
Total assets		**235,176,749**	**227,141,262**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
Total liabilities		-	-
Net assets		**235,176,749**	**227,141,262**
Revolving Fund		216,348,290	163,628,663
Reserves		-	-
Accumulated surplus		18,828,459	63,512,599
Total net assets and liabilities		**235,176,749**	**227,141,262**

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 _____ 2020 and signed by:

Administrator of the Fund
Name:

Fund Accountant
Name: NELLY J. BIRGEN
ICPAK Member Number: 20588

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2015	**136,348,290**	-	-	**136,329,175**
Surplus/(deficit) for the period	-	-	(19,115)	**(19,115)**
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2016	**136,348,290**	-	-	136,329,175
Balance as at 1 July 2016	136,348,290	-	-	**136,329,175**
Surplus/(deficit) for the period	-	-	3,552,170	3,552,170
Funds received during the year	15,000,000	-	-	15,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	**151,348,290**	-	**3,533,055**	**154,881,345**
Balance as at 1 July 2017	**151,348,290**	-	-	**154,881,345**
Surplus/(deficit) for the period	-	-	4,301,908	**4,301,908**
Funds received during the year	**5,000,000**	-	-	**5,000,000**
Revaluation gain	-	-	-	
Balance as at 30 June 2018	**156,348,290**	-	**7,834,963**	**164,183,253**
Balance as at 1 July 2018	**156,348,290**	-	-	**164,183,253**
Surplus/(deficit) for the period	-	-	4,452,652	**4,452,652**
Funds received during the year	**60,000,000**	-		**60,000,000**
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	**216,348,290**		**12,287,615**	**228,635,905**
Balance as at 1 July 2019	**216,348,290**	-	-	**228,635,905**
Surplus/(deficit) for the period	-	-	6,540,844	**6,540,844**
Funds received during the year	-	-	-	
Revaluation gain	-	-	-	
Balance as at 30 June 2020	**216,348,290**		**18,828,459**	**235,176,749**

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

	Note	2019/2020 KShs	2018/2019 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	60,000,000
Interest received		6,373,765	3,523,326
Receipts from other operating activities		-	-
Total Receipts		**6,373,765**	**63,523,326**
Payments			
Fund administration expenses		-	-
General expenses		(20,280)	(11,370)
Finance cost		-	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
Net cash flows from operating activities		**6,353,485**	**63,511,957**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		16,081,902	7,983,589
Loan disbursements paid out		(64,100,000)	(47,450,000)
Net cash flows used in investing activities		**(48,018,098)**	**(39,466,411)**
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**(41,664,613)**	**24,045,545**
Cash and cash equivalents at 1 JULY	11	43,763,474	19,717,929
Cash and cash equivalents at 30 JUNE	11	**2,098,861**	**43,763,474**

PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	15,000,000	43,763,474	58,763,474	43,763,474	15,000,000	74%
Interest income	-	7,000,000	7,000,000	6,373,765	626,235	91%
Proceeds from loan principal repayments	-	16,081,902	16,081,902	16,081,902	0	100%
Total income	**15,000,000**	**66,845,376**	**81,845,376**	**66,219,141**	**15,626,235**	**81%**
Expenses						
Loan disbursements paid out	14,975,000	66,845,376	81,820,376	64,100,000	17,720,376	78%
Fund administration expenses	-	-	-	-	-	
General expenses	25,000	-	25,000	20,280	4,720	81%
Finance cost	-	-	-	-	-	
Total expenditure	**15,000,000**	**66,845,376**	**81,845,376**	**64,120,280**	**17,725,096**	**78%**
Surplus for the period	**0**	**0**	**0**	**2,098,861**	**(2,098,861)**	

Budget notes

1. *The difference between original and final budget is as a result of balances brought forward from the previous financial year of Kshs. 43,763,474 and an interest receivable of Kshs. 7,000,000 and Proceeds from loan principal repayments of Kshs. 16,081,902.*
2. *Actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual). The statement of financial performance only records income as interest receivable and general expenses is reduced from it to arrive at the surplus. On the other hand budget records income as any cash received which includes opening balances and principal loan repayments which is reduced with loan disbursements. Loan repayments are not expenses in any way.*

3. *Statement of Comparison of Budget Actual Amounts column encompasses income as all the actual cash received i.e. balances brought forward, and the principal loan repayments. In addition all repayments including principal loan repayments are treated under the statement as expenses which is not the case in the statement of financial performance.*

The figures that are not captured in the statement of financial performance are as shown below;

a). Transfers from County Govt.	*43,763,474*
b). Proceeds from loan principal repayments	*16,081,902*
c). Interest income received	*6,373,765 (interest accrued is Kshs. 187,359)*
d).Loan disbursements paid out	*(64,100,000)*

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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 • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model

Standard	Effective date and impact:
	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.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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: (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	**Applicable: 1st January 2022:** 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. 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.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved **c)** IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on

Standard	Effective date and impact:
	deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

c) Early adoption of standards

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

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.

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 - of these financial statements.

1. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 5th August 2019. 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 15,000 on the FY 2019/2020 budget following the governing body's approval.

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

1. 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.

2. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. 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.

1. Nature and purpose of reserves

The Entity does not maintain reserves in terms of specific requirements.

2. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. 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.

1. 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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. 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.

1. 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.

2. 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.

1. 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.

1. Comparative figures

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

2. Events after the reporting period

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Ultimate and Holding Entity

4. The entity is a County Public Fund established by Uasin Gishu county emergency fund regulations 2015 under the Department of Finance And Economic Planning. Its ultimate parent is the County Government of Uasin Gishu.

5. Currency

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

6. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	233,077,887	233,077,887	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,098,862	2,098,862	-	-
Total	**235,176,749**	**235,176,749**	-	-
At 30 June 2018				
Receivables from exchange transactions	227,141,262	227,141,262	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	43,763,474	43,763,474	-	-
Total	**270,904,736**	**270,904,736**	-	-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	216,348,290	163,628,663
Accumulated surplus	18,828,459	63,512,599
Total funds	**235,176,749**	**227,141,262**
Total borrowings	-	-
Less: cash and bank balances	242,031	43,763,474
Net debt/(excess cash and cash equivalents)	**234,934,718**	**183,377,788**
Gearing	**100%**	**81%**

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	60,000,000
Payments by County on behalf of the entity	-	-
Total	-	**60,000,000**

3. Fines, penalties and other levies

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

(There is no provision at the moment because there is no management policy or guidelines that guide levying of fines and penalties)

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	5,990,771	3,523,969
Interest income from car loans	570,353	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	**6,561,124**	**3,523,969**

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		
Total other income	-	-

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

6. Fund administration expenses

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

7. Staff costs

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	20,280	11,370
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	**20,280**	**11,370**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Staff Car And Mortgage Loan A/C1090265192730	1,887,127	39,403,463
Staff Car And Mortgage Loan Repayment A/C1090268450986	211,735	4,360,011
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	**2,098,862**	**43,763,474**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	2019/2020 KShs	2018/2019 KShs
a) **Fixed deposits account**			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Equity bank		-	-
Staff Car And Mortgage Loan A/C1090265192730		1,887,127	39,403,463
Staff Car And Mortgage Loan Repayment A/C 1090268450986		211,735	4,360,011
Sub- total		**2,098,862**	**43,763,474**
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		**2,098,862**	**43,763,474**

12. Receivables from exchange transactions

Description	2019/2020 KShs	2018/2019 KShs
Current Receivables		
Interest receivable	1,360,675	-
Current loan repayments due	14,462,672	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total Current receivables	**15,823,347**	-
Non-Current receivables		

Long term loan repayments due	217,254,539	183,101,146
Total Non- current receivables	**217,254,539**	**183,101,146**
Total receivables from exchange transactions	**233,077,887**	**184,872,431**

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	187,349	-
Accrued interest receivable from of long-term loans of previous years	1,173,316	-
Interest receivable from current portion of long-term loans issued in the current year	10	-
Total	**1,360,675**	-
Current loan repayments due		
Current portion of long-term loans from previous years	13,865,483	-
Accrued principal from long-terms loans from previous periods	598,093	-
Current portion of long-term loans issued in the current year	(904)	-
Total	**14,462,672**	-

13. Revenue from Non-Exchange transaction

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

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

15. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

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

18. Trade and other payables from exchange transactions

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

19. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1st July 2019 (A)	183,699,114	144,232,703
Account receivable issued during the year (B)	64,100,000	47,450,000
Account receivable settled during the Year (C)	(16,081,903)	(7,983,589)
Net changes in account receivables D= A+B-C	**231,717,211**	**183,699,114**

22. CHANGES IN ACCOUNTS PAYABLE

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

23. Employee benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

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

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

25. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

26. Contingent assets and contingent liabilities

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

(Give details)

27. PRIOR YEAR ADJUSTMENTS

A prior period adjustment really applies to the correction of an error in the financial statements of a prior period

Description of the error	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
	Kshs	Kshs	Kshs
Revolving Fund	163,628,663	52,719,627	216,348,290
Accumulated surplus	63,512,599	(51,224,984)	12,287,615
	227,141,262	**1,494,643**	**228,635,905**

(The prior year adjustments relates to errors noted in prior year and changes accounting policy i.e. from cash basis of accounting to accrual accounting)

Likewise revolving fund was reported as total surplus which included transfers from the county government. The reported figure under the new format is the total transfers to the fund from the county government. The other correction are errors arising from the change of the format of presentation.

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status *(Resolved / Not Resolved)*	Timeframe *(Put a date when you expect the issue to be resolved)*
1.0	Overdue loans to members not in service	The manage through the mortgage fund administrator and the county legal department have commenced a legal action against the defaulters	The mortgage fund administrator and the county legal department	Not resolved	31st December 2020
2.0	Under recovery of mortgage loans	Any repayments to be received going forward shall be channelled towards settling the arrears.	The mortgage fund administrator	Not resolved	31st December 2020