

REPUBLIC OF KENYA



Enhancing Accountability

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CLERK OF THE TABLE	David

REPORT

OF

THE AUDITOR-GENERAL

ON

MARSABIT COUNTY ASSEMBLY CAR
AND MORTGAGE SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2019



MARSABIT COUNTY ASSEMBLY CAR & MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

**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

Car and mortgage Fund was established by and derives its authority and accountability from Section 116 of the Public Finance Management Act (2012) (THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 & THE MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND) REGULATIONS, 2014 with subsequent edition in 2017). The Fund is wholly owned by the County Assembly of Marsabit and is domiciled in Kenya.

The objective of the fund is twofold: to provide a loan scheme for the purchase of vehicles by members of the scheme, and to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme. In so doing, the fund intends to facilitate Members of County Assembly acquire a personal means of transport to enable them move from their area of residence to the office and also have a decent shelter.

The principal activity of the Fund is to provide loan scheme for purchase of vehicles, development and/or renovation/repair of residential property by members of the scheme. All members of the County Assembly are eligible for the scheme loans both for acquisition of personal car or building or purchasing a residential house.

The cost of purchasing a single family home has risen in relation to incomes particularly in larger metropolitan areas and in faster growing regions of the country. The convenience to traverse a vast County as well as Wards has also necessitated the ownership of a personal motor vehicle by the Members of the County Assembly (MCAs). Therefore, the County Assembly of Marsabit have recognized these critical needs and hence established a fund that provided their Members with financial assistance to help purchase and finance their primary residences and motor vehicles through SRC¹ guided scheme loans.

The fund has been deposited at the Cooperative bank, Marsabit branch. The total fund is Kenya Shillings One hundred and Seventy Million (170M) where 100M was slated for Mortgage scheme and 70M for Car loan scheme. The Fund has been established in a manner that it is revolving in nature so that by the end of every political term, the members borrowing are fully recaptured

b) Principal Activities

The principal activity of the Fund is to lend to members the scheme loans i.e. Mortgage and Car loan. This function includes receiving of applications, appraisal of applications, committee decision, disbursement of loans, recoveries of advanced monies, monitoring and evaluation of fund performance, enforce compliance, undertake loan clearance when due, and prepare reports as required.

Vision

¹SRC – Salaries and Remuneration Commission

Marsabit Car & Mortgage Scheme
Reports and Financial Statements
For the year ended June 30, 2019

To be an excellent fund that prospers its members and spurs growth within its membership.

Mission

To provide our members with superior ownership experience through innovative, affordable, and competitive loan products that fulfils the dream of home and car ownership.

Core Objectives

The objectives of the Scheme established shall be to provide loan scheme for Members of County Assembly and Senior staff for purchase of an existing residential property; purchase of land and construction; construction; Renovation and improvement of an existing residential property; takeover of loans on existing mortgages or equity release; and purchase of motor vehicle.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Halkano Konso	Chairperson
2	Buke Diba	Vice Chairman
3	Zamzam Hussein	Member
4	Tura Ruru	Member
5	Sora Katelo	Member
6	Daud Tamasot	Member
7	James Korie	Member

d) Key Management

Ref	Name	Position
1	Mahmoud Kamaya	Clerk/Secretary (CASB)
2	Jarso Roba	Fund Administrator
3	Fredrick Injela	Fund Accountant
4	Bokayo Guyo	Senior Legal Officer
5	Arbe Galgallo	Committee Clerk
6	Chare Mato	Chief Finance Officer
7	Adan Katelo	Principal Procurement Officer

e) Registered Offices

Marsabit County Assembly Headquarters

P.O. Box 29-60500

Marsabit, KENYA

f) Fund Contacts

E-mail: info@countyassemblyofmarsabit.co.ke

Website: www.assembly.marsabit.go.ke

g) Fund Bankers

Co-operative Bank of Kenya

Marsabit Branch

Kenya.

h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O.Box 30084

GOP 00100

Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General

State Law Office





Harambee Avenue



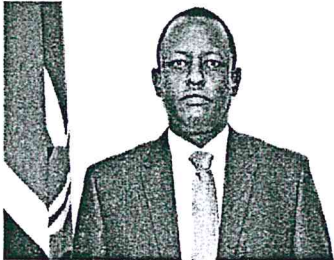
P.O. Box 40112

City Square 00200




Nairobi, Kenya

2. THE FUND ADMINISTRATION COMMITTEE




Name	Details of qualifications and experience
<p>HON.HALKANO KONSO CHAIRPERSON</p> 	<p>He hold a Bachelor degree, and serving as the current Majority Leader for County Assembly of Marsabit.</p> <p>He is the elected Member of County Assembly for Uran Ward and serves as the Chairperson for the Marsabit Car & Mortgage Scheme Fund.</p>
 <p>HON.BUKE DIBA DEPUTY CHAIRPERSON</p>	<p>He serves as the Vice-Chairperson to the Fund, and is an elected member from Maikona Ward.</p> <p>He serves as the Minority Leader for the Marsabit County Assembly.</p>
 <p>HON .DAUD TAMAGOT MEMBER</p>	<p>He is the elected Member for County Assembly for Korr/Ngurunit Ward, and serves as a member for the Fund.</p>
 <p>HON.JAMES KORIE MEMBER</p>	<p>He is the elected Member for County Assembly for Illeret Ward, and serves as a member for the Fund.</p>

 <p>HON. ZAMZAM HUSSEIN MEMBER</p>	<p>He is the nominated Member for County Assembly of Marsabit, and serves as a member for the Fund</p>
 <p>HON. SORA KATELO MEMBER</p>	<p>He holds a Bachelors degree and is serving as a member for County Assembly of Marsabit for Sagante/Jaldesa Ward, and serves as a member for the Fund</p>
 <p>HON. TURA RURU MEMBER</p>	<p>He holds a Bachelors degree and is serving as a member for County Assembly of Marsabit for North-horr Ward, and serves as a member for the Fund</p>

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. MAHMOUD KAMAYA 	<p>Clerk of the County Assembly and a Secretary to the County Assembly Service Board. Being the Chief Executive Officer, all matters of responsibility and accountability of the fund rests with his office.</p> <p>Works in liaison with the Mortgage and Car loan Committee to ensure effective management of scheme loans.</p>
2. JARSO ROBA 	<p>Director of Human Resource Management at the County Assembly. Holds a Master Degree of Business Administration. Has been in the career for the last thirteen years with five years being at the County Assembly.</p> <p>Oversees the general administration of Mortgage and Car loan fund in terms of application, appraisal, disbursement and monitoring of recoveries.</p>
3. FREDRICK INJELA 	<p>Head of Accounts at the County Assembly also doubling up as an Accountant for the Mortgage and Car loan scheme fund. He holds CPA II and pursuing a Bachelors Degree in Accounting. Have served in this career in the public service for the last twenty six years, five of which is at the County Assembly.</p>
4. BOKAYO GUYO	<p>Senior Legal Officer in charge of the Legal, Legislative and Procedural services within the County Assembly. A member of Mortgage and Car loan scheme management team. Served in this capacity for the last four years. Holds a Bachelors degree in Law and graduate of Kenya School of Law. Also an advocate of high court of Kenya.</p> <p>She offers technical legal support to the M&CL² committee so as to enforce compliance and mitigate risks.</p>

²M&CL refers to Mortgage and Car Loan Committee

<p>5. CHARE MATO</p> 	<p>The Director of Finance, Accounts and Supply chain Management services. Holds a Master Degree in Finance and a certified Accountant (CPA-K). Have served in this capacity since the year 2014. He has cumulative experience in Accounting career for eighteen years. A management member of the M&CL scheme providing key technical financial advice to the committee.</p>
<p>6. ADAN KATELO</p> 	<p>Head of procurement function at the County Assembly. Holds a Master Degree in Supplies Chain Management. Have served in this capacity since the year 2014. A member of team managing M&CL scheme by way of offering technical support.</p>
<p>7. ARBE GALGALLO</p> 	<p>A Committee Clerk attached to M&CL committee of the County Assembly. Holds a Bachelors Degree in Development Studies. Have served in this capacity since the year 2015. Offers secretarial and clerical support to the M&CL committee in terms of agenda preparation, issue meeting notices, minute preparation, perform amortization, prepare loan disbursement and recovery schedules, and records management among others.</p>

4. BOARD/FUND CHAIRPERSON'S REPORT

The Mortgage and Car loan Scheme is a great blessing to the Members of County Assembly as it provided ready access to twin benefits: car loan and mortgage. Also, the beneficiaries of these benefits enjoy longer recovery period resulting from the operational foundation that was set during the first term of Assembly. I am pleased to report that by end of June, 2019; thirty (30) MCAs and one (1) board members even (7) senior staff have benefited from Mortgage scheme while 24 MCAs have also benefited from the car loan. By end of June 2019, the total loan disbursed was KES 157,110,000.00 against an outstanding balance of KES 111,937,810.90 (inclusive of Interests).

The fund is generally performing well given the timely recoveries of loans through the IPPD⁴ system. The system in itself safeguards the loan by way of priority deduction hence unlikely chance of default arising from affordability problems associated with salaries. A surmountable challenge is also being faced in matters of compliance where some borrowers have not committed to joint ownership required for car loan. Time lapse for this compliance has been a grave issue but effort is being made through a committee's resolve to enforce the borrowers' obligations and undertakings. Loan insurances have also been considered as the process is near completion.

As a matter of importance, the fund need to be enhanced so that it incorporates the request by staff of the county assembly wishing to be granted similar benefits as already guided by Salaries and Remuneration Commission. Funds allowing, the committee is looking forward to participate in community social responsibility with a view to plough back to the society.

Whereas the members benefit from these scheme loans, the committee under my leadership will endeavour to sustain gains without compromise on public funds as regards default, security and recoveries. It is therefore with pleasure I submit this report.

Signed: _____



HON. HALKANO KONSO

CHAIRMAN, MORTGAGE & CAR LOAN COMMITTEE

⁴IPPD – Integrated Payroll and Personnel Database

5. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to forward this annual Scheme Loan Report of the County Assembly of Marsabit. The report is prepared pursuant to corporate philosophy and operational principle which bestows the Committee with responsibility to prepare and present for accountability, a report of its operations for the financial year 2018/19. The report covers the activities of the Committee as far as loan disbursement and recoveries are concerned.

I am delighted to inform you that the Committee has managed the scheme loans in a way that earns public trust and ensured effective recovery of the advanced loans in a timely manner. The loan disbursement for the Second County Assembly started in November 2017. Effective management was done and by the end of June 2019, the report is as summarized below:

- i. 30 MCAs have benefited from Mortgage scheme at a total advanced principal of KES 88,500,000.00.
- ii. 25 MCAs have also enjoyed the car loan facility at a total advanced principal of KES 48,110,000.00.
- iii. Four senior staff and one external board member have also benefited from Mortgage scheme subject to the terms of loan regulation. The total advanced amount associated with this team is KES 16,000,000.00. In addition; two staff also have a running mortgage from the First County Assembly at an initial borrowing of KES 4,500,000.00 with an expected last recovery to occur in January, 2020.
- iv. A total of KES 109,000,000.00 was disbursed for mortgage scheme with an outstanding balance of KES 77,399,656.68.
- v. A total of KES 48,110,000.00 was disbursed for car loan scheme with an outstanding balance of KES 34,538,154.22.
- vi. The outstanding balance is inclusive of the computed loan interests.

Whereas the loans are disbursed procedurally, the committee requires a comprehensive guideline on effective loan management elaborating on loan cycles, responsibilities, documentation and required reports among others. Such guide will help the members of the committee to quickly refer on a matter of interest and consequently make informed decisions. Whereas it may be important to embrace the spirit of flexibility, I urge the committee to earnestly pursue full compliance with the provisions of the Scheme Regulations so as to ensure critical securities are bolstered.

Finally, may I also thank the County Assembly M&CL committee for considering and approving regulations for staff mortgage and car loan scheme. I wish to further request the committee to mobilize funds for this cause.

Signed: _____

MR. JARSO ROBA – Ag. FUND ADMINISTRATOR

6. CORPORATE GOVERNANCE STATEMENT

The Marsabit Car & Mortgage Scheme complies with legal framework such as the County Government Act, Public Finance Management Act, Leadership and Integrity Act and the Public Officers Ethics Act all aim at fostering good governance.

The County Assembly of Marsabit has an audit committee in place, some of the roles of the audit committee includes:

Roles of Audit Committee

- (a) The audit committee plays a key role with respect to the integrity of the entity's financial information, its system of governance, risk and internal controls, and the legal and ethical conduct of management and employees.
- (b) Depending upon circumstances affecting an entity, the functions undertaken by an audit committee will generally encompass the following areas:
 - (i) Evaluating whether processes are in place to address key roles and responsibilities in relation to risk management.
 - (ii) Evaluating the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
 - (iii) Performing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.
 - (iv) Monitoring the effectiveness of an entity's performance information and compliance with the performance management framework and performance reporting requirements.
 - (v) Evaluating the quality of the internal audit function, particularly in the areas of planning, monitoring and reporting.
 - (vi) Engaging with external audit and assessing the adequacy of management response to issues identified by audit.
 - (vii) Reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

The following are the members of Marsabit County Assembly audit committee:

1. Mohamed Dawe Shano- Chairman
2. Adho Guyo Umuro- Member
3. Amina Dokata Ramata-Member
4. Abdirashid Adisomo-Member

Cl

7. MANAGEMENT DISCUSSION AND ANALYSIS

Marsabit Car & Mortgage Scheme has effective management and its performance by the end of June 2019, the report is as summarized below:

- i. 30 MCAs have benefited from Mortgage scheme at a total advanced principal of KES 88,500,000.00.
- ii. 25 MCAs have also enjoyed the car loan at a total advanced principal of KES 48,110,000.00.
- iii. Four senior staff and one external board member have also benefited from Mortgage scheme subject to the terms of loan regulation. The total advanced amount associated with this team is KES 16,000,000.00. In addition; two staff also has a running mortgage from the First County Assembly at an initial borrowing of KES 4,500,000.00.
- iv. A total of KES 109,000,000.00 was disbursed for mortgage scheme with an outstanding balance of KES 77,399,656.68.
- v. A total of KES 48,110,000.00 was disbursed for car loan scheme with an outstanding balance of KES 34,538,154.22.
- vi. The outstanding balance is inclusive of the computed loan interests.

A loan or mortgage granted under Marsabit Car & Mortgage Scheme has to fulfil the requirements of (THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 & THE MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND) REGULATIONS, 2014 with subsequent edition in 2017).

One of the challenges the fund was facing was un-secured Car Loan and Mortgages and the Management Committee has undertaken steps to ensure that the same will not happen again.

The motor vehicle logbooks have now been jointly registered as required by the relevant provisions of (THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 and the title deeds have a charge registered.

Marsabit Car & Mortgage Scheme has been of great benefit to members of the county assembly and staff.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The County Assembly of Marsabit offers training internship opportunities to students undergoing various courses in the institutions of higher learning.

For the year under review the following trainees were offered internship opportunities: They include

1. Noor Mohamed – Procurement Department
2. Hawo Ali- Procurement Department
3. Rasmi Mohamed- Accounts Department
4. Hanan Haroub- Legal Department
5. Talasso Ali- Procurement Department

Some of the skills acquired while in training includes:

- i. Communication Skills
- ii. Interpersonal Skills
- iii. Numerical Skills
- iv. Financial reporting
- v. Analytical ability
- vi. Knowledge of IT software
- vii. Management experience
- viii. Strong negotiation skills. ...
- ix. Impeccable time-management. ...
- x. Strategic thinking

The County Assembly of Marsabit equips the trainees with the relevant skills and knowledge required for the job market.

9. REPORT OF THE COUNTY ASSEMBLY SERVICE BOARD (CASB)

Principal activities

The principal activities of the Fund are to disbursement of Car Loans and Mortgage to the members of County Assembly and staff.

Results

The results of the Fund for the year ended June 30, 2019 are set out on page

County Assembly Service Board (CASB)

The members of the County Assembly Service Board (CASB) who served during the year are shown below:

NO	NAME	DESIGNATION
1	MATTHEW LOLTOME	CHAIRMAN
2	MOHAMUD KAMAYA	SECRETARY
3	HALKANO KONSO	MEMBER
4	BUKE DIBA	MEMBER
5	MARY AMINA	MEMBER
6	ELIJAH CHIWE	MEMBER

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Marsabit Car & Mortgage Scheme for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



Member of the Board

Date: 18/11/2019

1

10. 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 Assembly Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Assembly 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 Assembly Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 Assembly 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

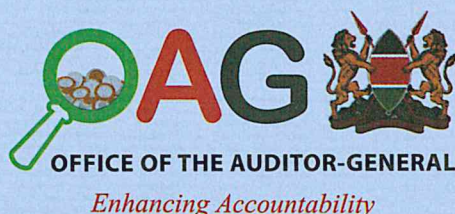
The Fund's financial statements were approved by the Board on 18/11 2019 and signed on its behalf by:



Ag. Administrator of the County Assembly Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MARSABIT COUNTY ASSEMBLY CAR AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Marsabit County Assembly Car and Mortgage Scheme Fund set out on pages 18 to 48, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Inappropriate Financial Statements

As reported in the previous year, the financial statements availed for audit refer to Marsabit County Assembly Car and Mortgage Scheme Fund. However, documents availed for audit review indicate that the Assembly operates two separate Funds; County Assembly of Marsabit Car Loan Scheme Fund Regulations, 2014 and the Marsabit County Assembly Mortgage Scheme Fund Regulations, 2017.

In view of the above, the Management have combined the financial statements of the two Funds which is contrary to the requirement of Section 18(1)(d) of the Public Finance Management Act, (Marsabit County Assembly Car Loan Scheme Fund) Regulations, 2014 and Section 19(1)(d) of the Public Finance Management Act, (Marsabit County Assembly Mortgage Scheme Fund) Regulations, 2017 which requires the officer administering each Fund to prepare separate financial statements for each Fund and transmit to the Auditor General within three (3) months after the end of each financial year.

Report of the Auditor-General on Marsabit County Assembly Car and Mortgage Scheme Fund for the year ended 30 June, 2019

Consequently, the management of the Funds are in breach of the law and the financial statements have not been prepared in accordance with prescribed Public Sector Accounting Standard Board (PSASB).

2.0 Lack of Trial Balance

The Fund's trial balance for the financial year ended 30 June, 2019 was not provided for audit review in line with accounting practice.

In the circumstances, the validity and accuracy of all the balances in the Funds financial statements for the year ended 30 June, 2019 could not be confirmed.

3.0 Accuracy of the Financial Statements

3.1 Variances in the Statement of Cash Flows

The statement of cash flows for the year under review reflects an opening balance of cash and cash equivalents at 1 July, 2018 of Kshs.38,062,822 while the audited 2017/2018 financial statements reflect a closing cash and cash equivalents balance of Kshs.37,961,422 resulting to unexplained variance of Kshs.101,400.

Further, the statement reflects net cash flow used in investing activities as negative Kshs.15,305,952 whereas the recasting of the balances in the statements results in a positive of Kshs.15,305,952 again resulting in unreconciled variance of Kshs.30,611,904

3.2 Comparative Balance for Cash and Cash Equivalents

The statement of financial position reflects comparative balance for cash and cash equivalents of Kshs.41,223,370 but the respective Note 11 to the financial statements reflects a comparative balance of Kshs.38,062,822, resulting in unexplained difference of Kshs.3,160,548.

3.3 Variance in Revolving Fund Balance

The statement of changes in net assets reflects revolving fund balance of Kshs.56,440,631. However, the statement of financial position reflects a nil balance as at the same date, resulting in unexplained difference of Kshs.56,440,631.

3.4 Incorrect Heading in the Statement of Change in Net Assets

The statement of changes in net assets reads "as at 30 June, 2019" contrary to International Public Sector Accounting Standard (IPSAS) No.1, on presentation of financial statement which stipulates that the statement of changes in net asset should read "for the year ended" ...

In the circumstances, the accuracy of the Fund's financial statements for the year ended 30 June, 2019 could not be ascertained.

4.0 Doubtful Expenditure

The statement of financial performance for the year ended 30 June, 2019 reflects Kshs.3,603,620 in respect to Fund administration expenses, which includes Kshs.100,150 in respect to consultancy fees for transfer of logbooks for joint ownership between Member of County Assembly (MCAs) and the County Assembly. However, transfer of motor vehicles is done online and a consultant was therefore, not required for the same. Further the County Assembly has a legal department which could have taken up the matter instead of hiring an external lawyer.

In the circumstance, the validity and value for money in respect of the expenditure of Kshs.100,150 for the year ended 30 June, 2019 could not be confirmed.

5. Presentation of Financial Statements

5.1 Incorrect Name of the Independent Auditor

The Fund has reflected Kenya National Audit Office as its independent auditor contrary to Section 4(1) of the Public Audit Act, 2015 which states that there is established an office to be known as the Office of the Auditor-General which shall be a body corporate.

5.2 Lack of Membership for Institute of Certified Public Accountants of Kenya (ICPAK) for the Fund Administrator

The Fund administrator of Marsabit County Assembly Car and Mortgage Scheme Fund did not indicate his ICPAK Membership number in the financial statements for the year under review. However, the Public Sector Accounting Standards Board (PSASB) requires inclusion of the signature and ICPAK membership number of the Fund administrator on the financial statements.

5.3 Incomplete Progress Report on Auditor's Recommendations

The progress report on implementation of Auditor's recommendations reflected only two (2) out of the twelve (12) issues raised in the previous audit report. It is therefore not possible to ascertain how the issues raised by the auditor were dealt with. However, the Public Sector Accounting Standards Board (PSASB) stipulates that the Fund should include progress on auditor's recommendations indicating the issues raised by the auditor and the management comments on the issues raised.

5.4 Financial Statements not Paginated

The statement of financial position, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts were not paginated as required by PSASB.

In the circumstances, the presentation of the financial statements for the year ended 30 June, 2019 did not conform to the prescribed PSASB format.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit opinion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1) of the Public Audit Act, 2015. Because of the significance of the matters described in the basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit opinion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error 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 Marsabit County Assembly Car and Mortgage Scheme Fund's ability to continue sustain services, disclosing, as applicable matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 Marsabit County Assembly Car and Mortgage Scheme Fund's financial reporting process, reviewing

the effectiveness of how the entity 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 International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Marsabit County Assembly Car and Mortgage Scheme Fund 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 October, 2021

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	0	0
Fines, penalties and other levies	3	0	0
		0	0
Revenue from exchange transactions			
Interest income	4	3,514,929	0
Other income	5	0	21,305,065
		3,514,929	21,305,065
Total revenue		3,514,929	21,305,065
Expenses			
Fund administration expenses	6	3,603,620	338,000
General expenses	8	0	0
Finance costs	9	0	0
Total expenses		3,603,620	338,000
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(88,691)	20,967,065

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

Marsabit Car & Mortgage Scheme
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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	56,440,631	41,223,370
Current portion of long term receivables from exchange transactions	12	111,937,857	0
Prepayments	13	0	0
Inventories	14	0	0
		168,378,488	41,223,370
Non-current assets			
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
Long term receivables from exchange transactions	12	0	0
		0	0
Total assets		0	0
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0	0
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
		0	0
Non-current liabilities		0	0
Non-current employee benefit obligation	20	0	0
Long term portion of borrowings	19	0	0
Total liabilities		0	0
Net assets		0	0
Revolving Fund		0	0
Reserves		0	0
Accumulated surplus		0	0
Total net assets and liabilities		168,378,488	41,223,370

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 18/11 2019 and signed by:

Ag. Administrator of the Fund
Name: Jarso Roba

Fund Accountant
Name: Fredrick Injela
ICPAK Member Number:

12.3. STATEMENT OF CHANGES IN NET ASSETSAS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulate d surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	156,158,112	-	-	156,158,112
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	21,305,065	-	-	21,305,065
Revaluation gain	-	-	-	-
Payments during the year	(136,239,807)			(136,239,807)
Balanceasat30 June 2018	41,223,370	-	-	41,223,370
Balance as at 1 July 2018	41,223,370	-	-	41,223,370
Surplus/(deficit) for the period	(88,691)	-	-	(88,691)
Funds received during the year	37,520,959	-	-	37,520,959
Revaluation gain	-	-	-	-
Payments during the year	(22,215,007)			(22,215,007)
Balanceasat30 June 2019	56,440,631	-	-	56,440,631

(Provide details on the nature and purpose of reserves)

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

100-1000

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12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Cashflows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		0	0
Interest received	4	3,514,929	0
Receipts from other operating activities		0	21,305,065
Total Receipts		3,514,929	21,305,065
Payments			
Fund administration expenses	6	3,603,620	338,000
General expenses		0	0
Finance cost		0	0
Total Payments		3,603,620	0
Net cash flows from operating activities		(88,691)	20,967,065
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(0)	(0)
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		37,520,959	21,305,065
Loan disbursements paid out		(22,215,007)	(136,239,807)
Net cash flows used in investing activities		(15,305,952)	(114,934,742)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		(0)	(24,127,613)
Net cash flows used in financing activities		0	(24,127,613)
Net increase/(decrease) in cash and cash equivalents		15,217,261	(118,095,290)
Cash and cash equivalents at 1 JULY		38,062,822	156,158,112
Cash and cash equivalents at 30 JUNE		53,280,083	37,961,421.80

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget 2019	Adjustments 2019	Final budget 2019	Actual on comparable basis 2019	Performance difference 2019	% utilisation 2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-			
Interest income	-	-	-	3,514,929	(3,514,929)	
Other income	-	-	-	-	-	
Total income	-	-	-	3,514,929	(3,514,929)	
	-	-	-			
Expenses	-	-	-			
Fund administration expenses	-	-	-	3,603,620	(3,603,620)	
General expenses	-	-	-	-	-	
Finance cost	-	-	-	-	-	
Total expenditure	-	-	-	-	-	
Surplus for the period	-	-	-	-	(88,691)	

12.6. 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 2019

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 2019

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

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
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.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of xxxxx on the FY 2018/2019 budget following the governing body's approval.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits– Retirement benefit plans

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

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

13. Foreign currency transactions

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

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

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

20. Currency

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
	0	0	0	0
At 30 June 2018	0	0	0	0
Receivables from exchange transactions	0	0	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2018	0	0	0	0
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

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	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	10%	0	0
USD	10%	0	0
2018		0	0
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2019: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2018 – KShs xxx)

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	2018
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
Total funds	0	0
	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0%	0%

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	0	0
Payments by County on behalf of the entity	0	0
Total	0	0

3. Fines, penalties and other levies

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Total	0	0

(Provide brief explanation for this revenue)

4. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	2,427,838.42	0
Interest income from car loans	1,087,090.13	0
Interest income from investments	0	0
Interest income on bank deposits	0	0
Total interest income	3,514,928.55	0

(Provide brief explanation for this revenue)

5. Other income

Description	2018/2019	2017/2018
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0
Miscellaneous income	0	0
Total other income	0	0

(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	2018/2019	2017/2018
	KShs	KShs
Staff costs (Note 7)	0	0
Loan processing costs	0	0
Professional services costs	0	0
Administration fees	3,603,620	338,000
Total	3,603,620	338,000

7. Staff costs

Description	2018/2019	2017/2018
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Consumables	0	0
Electricity and water expenses	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Bank Charges	0	0
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2018/2019	2017/2018
	KShs	KShs
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

10. Gain/(loss) on disposal of assets

Description	2018/2019	2017/2018
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

11. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
Fixed deposits account	0	0
On – call deposits	0	0
Current account	56,440,631	38,062,822
Others	0	0
Total cash and cash equivalents	56,440,631	38,062,822

(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:

		2018/2019	2017/2018
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits		0	0
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Co-operative Bank of Kenya		56,440,631	38,062,822
Sub- total		56,440,631	38,062,822
d) Others(specify)		0	0
Cash in transit		0	0
Cash in hand		0	0
M Pesa		0	0
Sub- total		0	0
Grand total		0	0

12. Receivables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
Total Current receivables	0	
Non Current receivables		
Long term loan repayments due	111,937,857	0
Total Non- current receivables	0	0
Total receivables from exchange transactions	111,937,857	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	2018/2019	2017/2018
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Other prepayments(specify)	0	0
Total	0	0

14. Inventories

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Other inventories(specify)	0	0
Total inventories at the lower of cost and net realizable value	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
Cost					
At 1 st July 2017	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
At 30 th June 2018	0	0	0	0	0
At 1 st July 2018	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0
At 30 th June 2019	0	0	0	0	0
Depreciation and impairment					
At 1 st July 2017	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	0	0	0	0
At 30 th June 2018	0	0	0	0	0
At 1 st July 2018	0	0	0	0	0
Depreciation	0	0	0	0	0
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0
At 30 th June 2019	0	0	0	0	0
Net book values	0	0	0	0	0
At 30 th June 2018	0	0	0	0	0
At 30 th June 2019	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2018/2019	2017/2018
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment	0	0
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables	0	0
Total trade and other payables	0	0

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2018)	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Balance at the end of the year (30.06.2019)	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2018/2019	2017/2018
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestics borrowings during the period	0	0
Balance at end of the period	0	0

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

	2018/2019	2017/2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from zzz organisation'	0	0
Domestic Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

(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)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Totalemployee benefits obligation	0	0	0	0

21. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
Surplus/ (deficit) for the year before tax	(88,691)	0
Adjusted for:		0
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	(0)	0
Interest income	3,514,929	0
Finance cost	0	0
Working Capital adjustments		0
Increase in inventory	(0)	0
Increase in receivables	(0)	0
Increase in payables	0	0
Net cash flow from operating activities	3,603,620	0

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

22. 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:

- The County Government;
- The ParentCounty Government Ministry;
- Key management;
- Board of Trustees; etc

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Total	0	0

e) Due to related parties

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Total	0	0

23. Contingent assets and contingent liabilities

Contingent liabilities	2018/2019	2017/2018
	KShs	KShs
Court case xxx against the Fund	0	0
Bank guarantees	0	0
Total	0	0

(Give details)

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Joint Ownership of Motor Vehicle logbooks has not been put in place	Joint ownership of logbooks has been affected.	Jarso Roba- Fund Administrator	Resolved	
2.0	Title deeds has not been put on charge	The process of taking the title deeds on charge is in progress.	Jarso Roba- Fund Administrator	In Process	

