

REPORT

PAPERS LAID	
DATE	08.03.2022
TABLED BY	Sec. Dulto
COMMITTEE	CPAIC
CLERK AT THE TABLE	I. Mbayi

OF
THE AUDITOR-GENERAL

ON

**TRANS NZOIA COUNTY ASSEMBLY -
MEMBERS AND STAFF CAR LOAN AND
MORTGAGE SCHEME FUND**

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



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**TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR
LOAN AND MORTGAGE 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)**

**TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND
MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

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Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trans Nzoia County Assembly Car and Mortgage Fund is established by and derive its authority and accountability from Public Finance Management Act (No. 18 of 2012) and Trans Nzoia County Assembly (Car Loan and Mortgage Scheme Fund) legislation, 2014. The Fund is wholly owned by the County Assembly of Trans Nzoia and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property and for purchase of motor vehicles to members of the scheme.

The Fund's principal activity is providing loans to members of staff of Trans Nzoia County Assembly at affordable interest of 3% p.a.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide loans to Members of the County Assembly of Trans Nzoia and Staff of County Assembly.

c) Key Management

Ref	Name	Position
1	Patrick Ngeywa Kisiero	Chairperson
2	Ainea Obare Indakwa	Secretary
3	Eric Wafula Wekhomba	Member
4	David Wangila Kisaka	Member
5	Emmanuel Waswa Simiyu	Member
6	Bernard Wabwa	Member
7	Eric Wanyonyi Musumba	Member
8	Edward Katama Ngeywa	Member
9	Moses Wanjala Lupao	Member

**TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE
SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2020**

d) Registered Offices

P.O. Box 4221-30200
County Assembly Building,
County Assembly Road,
Kitale, Kenya

e) Trans Nzoia County Assembly Staff Car and Mortgage Fund

Telephone: 054-31380/054-31617
Email:-transnzoiacountyassembly@gmail.com
Website;

f) Fund Bankers

Trans Nzoia County Assembly Staff Car and Mortgage Fund
Sidian Bank
Account No. 01026020004442
Kitale Branch

g) Independent Auditors

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

h) Principal Legal Adviser

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

2. STATEMENT OF PERFORMANCE AGAINST TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE SCHEME FUND'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of Trans Nzoia County Assembly Staff Car Loan and Mortgage Fund 2018-2022 plan are to:

- a) Provide affordable car loans to members of staff
- b) Provide Mortgage facilities to Members of Staff
- c) Facilitate growth of the fund

Progress on attainment of Strategic development

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
General administrative and support services	To provide car loans and Mortgage to Members of Staff	Loans were disbursed to staff	24 members of staff benefited from the fund	In FY 2019/20 we were able to disburse Kshs. 19,650,000 to 24 members of staff

TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

3. BOARD/FUND CHAIRPERSON'S REPORT

Trans Nzoia County Assembly (Members and Staff) Car and Mortgage Scheme Fund is established under the Public Finance Management Act (No. 18 of 2012) and Trans Nzoia County Assembly (Car Loan & Mortgage Scheme Fund) Legislation, 2014. The fund is managed by the Loans Management Committee.


We did receive funding of Kshs.20, 427,050 from County Assembly budget allocation for the year 2018-2019. However the operation of the fund was done in the fiscal year 2019-2020.

In the year under review, there was an opening bank balance of Kshs 17,999.45 in the fund account No. 0102620004442 before the transfer of Kshs. 20,427,050 was made thus giving total fund balance of Kshs. 20,445,050 as at 30th July 2019.

During the year 2019-2020, Kshs. 19,650,000 was disbursed in respect of car loans and mortgage to 24 members of staff and Kshs 9,720 was incurred in respect of bank charges. The total of Kshs 2,418,488.20 has so far been recovered as principle amounts and credited in the funds account leaving an outstanding loan balance of Kshs. 17,231,512 as at 30th June 2020.

Further the fund received Kshs.402, 290 which was realised as interest earned from loan advances to members of staff and the same was credited to the fund account.

It is important to note that County assembly account no. 01026020002766 held at Sidian bank Kitale has a deposit sum of Kshs 200,000,000 used as collateral to guarantee bank loans advanced to Members of County Assembly (MCAs) effective October 2017 in respect of Car loan and Mortgage Loans. The deposit amount has earned total interest income of Kshs. 1,457,600.

Signed:  _____ -

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The County Assembly of Trans Nzoia exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering on relevant legislation, representation and oversight services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The County Assembly of Trans Nzoia uses participatory and collaborative approach in order to uphold the principal of public participation, it has also embraced the use of information and communication technologies and new media, i.e. social media in order to increase outreach with the residents of Trans Nzoia. This has led to the enactment of pieces of legislation during the year. However, untimely disbursements of exchequer have negatively impacted on capacity development of MCA's and effective public participation.

2. Environmental performance

The County Assembly of Trans Nzoia endeavours to go paperless in terms of notice of motions, order paper and all house communications to MCA's. To this end, MCAs were facilitated with mobile tablets.

3. Employee welfare

Employees of the County Assembly are hired competitively on merit giving equal opportunities to gender, tribe and ethnicity. Continuous employee training is encouraged through sponsorship to relevant training opportunities for improved skills and promotions and career progression rewarded to the deserving officers. The County Assembly of Trans Nzoia has ensured employee safety by provision of a medical insurance scheme, clearly marked work place emergency exits, fire assembly point and a ramp for persons living with disability.

4. Market place practices- *The organisation should outline its efforts to:*

a) Responsible competition practice.

County Assembly supply of goods and services are competitively sourced through competitive tendering, staff of the County Assembly are political, thus serves the public with political neutrality.

b) Payment for goods supplied and or services rendered are made promptly as and when goods are supplied or services rendered. The County Assembly has kept pending bills to the lowest minimum.

c) For every public engagement, the County Assembly of Trans Nzoia has ensured publication of advertisements/notices in media with the widest circulation to ensure a wider outreach.

d) Every public petition to the Assembly is treated with fair administrative justice. In conducting its oversight role every person summoned to appear before the Assembly's oversight committee is treated with utmost respect and accorded fair hearing.

5. Community Engagements- Members of the County Assembly annually participated in the national beyond zero campaigns marathon, aimed at eliminating child mortality and the annual County Assemblies Sports Association aimed at promoting national cohesion, and cultural diversity. In its legislative role the County Assembly has enacted the Elimu bursary regulations that has facilitated award of bursaries to needy students from across the County.

TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Trans Nzoia County Assembly (Car Loan & Mortgage Scheme Fund) Legislation, 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Trans Nzoia County Assembly (Car loan & Mortgage Scheme Fund) Legislation, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were amended and approved by the Board on 15th January, 2021 and signed on its behalf by:


Administrator of the Fund



REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY ASSEMBLY - MEMBERS AND STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Trans Nzoia County Assembly - Members and Staff Car Loan and Mortgage Scheme Fund as set out on pages 10 to 32, which comprise the statement of financial position as at 30 June, 2020, the statement of financial performance, the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Trans Nzoia County Assembly - Members and Staff Car Loan and Mortgage 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 do not comply with the Public Finance Management Act, 2012, the Trans Nzoia County Assembly (Mortgage Scheme Fund) Regulations, 2014 and the Trans Nzoia County Assembly (Car Loan Scheme Fund) Regulations, 2014.

Basis for Adverse Opinion

1. Non-Compliance with Enabling Legislations

The Management of the Fund provided combined financial statements for Car Loan and Mortgage Scheme Fund for both members and staff contrary to the Trans Nzoia County Assembly (Car Loan Scheme Fund) Regulations, 2014 and the Trans Nzoia Assembly (Mortgage Scheme Fund) Regulations, 2014.

Consequently, the accuracy, completeness and validity of the financial statements could not be confirmed.

2. Unsupported Interest Income

The statement of financial performance and as disclosed in Note 1 to the financial statements reflects interest income of Kshs.1,901,219 which comprise interest earned from loans advanced to staff of Kshs.443,619 and Kshs.1,457,600 being interest earned on the deposit of Kshs.200,000,000 held by a commercial bank as a lien for loans advanced to honourable members. However, the details of how the bank interest of Kshs.1,457,600 was arrived at was not provided.

This was contrary to Section 13 of the Trans Nzoia County Assembly (Mortgage Scheme Fund) Regulations, 2014 and Section 11 of the Trans Nzoia County Assembly (Car Loan Scheme Fund) Regulations, 2014 which states that the interest chargeable on a loan shall be three (3) percent per annum and that a mortgage institution appointed to administer the Fund may charge an interest of not more than one percent above the interest chargeable to cover Management cost.

In the circumstances, the accuracy and completeness of the interest income of Kshs.1,901,219 could not be confirmed.

3. Irregularities in Car Loans and Mortgage Advanced

The statement of financial position and as disclosed in Note 4 to the financial statements reflects the current portion of long-term receivables from exchange transactions balance of Kshs.17,272,841 as at 30 June, 2020. The amount was outstanding against twenty-four (24) members of staff in respect of car loans and mortgages advanced during the year. However, there was no evidence that the vehicles acquired were jointly registered between the members of the scheme and the County Assembly Service Board.

This was contrary to Section 8(2) of the County Assembly (Car Loan Scheme Fund) Regulations, 2014 which requires that the logbook of a vehicle subject to a loan from the Fund shall be issued jointly between the County Assembly Service Board and the member of the scheme and shall be kept in the custody of the Fund Administrator until the loan is repaid in full by the member of the scheme. There was also no evidence that the Board registered a charge on the properties purchased and that the borrowers provided transfer deeds duly signed by the borrowers and a letter authorizing the Board to sell the property in case of default in repayment.

Consequently, the Management is in breach of the Regulations.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Trans County Assembly Car Loan and Mortgage Fund Staff Car Loan and Mortgage Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable

to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Previous Year Financial Statements

During the year 2013/2014, the County Assembly transferred an amount of Kshs.200,000,000 to a commercial bank to start the Fund. However, the Management did not prepare and submit the financial statements for audit indicating the state of affairs of the Fund. The Management explained that the Kshs.200,000,000 transferred to the bank was used as a lien for the loans advanced to honourable members of the County Assembly. However, no explanation has been provided for not preparing annual financial statements to account for the money contrary to Section 18(1)(c) and (d) of the Trans Nzoia County Assembly (Mortgage Scheme Fund) Regulations, 2014 and Section 15(1)(c) and (d) of the Trans Nzoia County Assembly (Car Loan Scheme Fund) Regulations, 2014 which requires the administrator of the two Funds to among others prepare, sign and transmit to Auditor-General in respect of each financial year and within three months after the end thereof a statement of account relating to the Fund in accordance with the Public Finance Management, 2012 and that every financial statement of account prepared shall include details of the balances between the assets and liabilities of the Fund and shall indicate the financial status of the Fund as at the end of the financial year concerned.

Consequently, the Management has not complied with 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, GOVERNANCE AND RISK MANAGEMENT

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and 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 Public Sector Accounting Standards - Accrual Basis and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

The Board is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place

to address key roles and responsibilities in relation to overall 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing, and extent of the compliance work are limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management, and overall 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 non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 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

10 February, 2022

Report of the Auditor-General on Trans Nzoia County Assembly - Members and Staff Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2020

7. FINANCIAL STATEMENTS

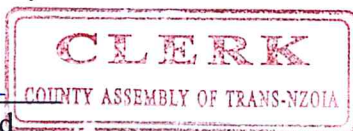
7.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020


	Note	2019/2020	2018/2019
		Kshs	Kshs
Revenue from exchange transactions			
Interest income	1A	1,901,219	-
Total Revenue		1,901,219	-
Expenses			
General expenses	2	9,720	-
Total expenses		9,720	-
Surplus/(deficit) for the period		1,891,499	-

The notes set out on pages 30 to 31 form an integral part of these Financial Statements

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were amended and approved on 15th January, 2021 and signed by:


 Administrator of the Fund
 Name: Ainea Obare Indakwa




 Fund Accountant
 Name: Lupao Moses Wanjala
 ICPAK Member Number: 8315



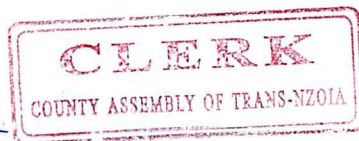
TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	3	205,063,708	-
Current portion of long term receivables from exchange transactions	4B	17,272,841	-
Total assets		222,336,549	-
Liabilities			
Current liabilities			
		-	-
Non-current liabilities			
Total liabilities		-	-
Net assets		222,336,549	-
Revolving Fund	5	220,445,050	-
Accumulated surplus		1,891,499	-
Total net assets and liabilities		222,336,549	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were amended and approved on 15th January, 2021 and signed by:

Aineka Obare Indakwa



Administrator of the Fund
 Name: Aineka Obare Indakwa

Lupao Moses Wanjala



Fund Accountant
 Name: Lupao Moses Wanjala
 ICPAK Member Number: 8315

MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

7.3. 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 2018	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	-	-
Balance as at 1 July 2019	220,445,050	-	-	220,445,050
Surplus/(deficit) for the period	-	-	1,891,499	1,891,499
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	220,445,050	-	1,891,499	222,336,549

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were amended and approved on 15th January, 2021 and signed by:



Administrator of the Fund
 Name: Ainea Obare Indakwa



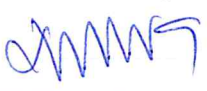

Fund Accountant
 Name: Lupao Moses Wanjala
 ICPAK Member Number: 8315

TRANS NZOIA COUNTY ASSEMBLY (MEMBERS AND STAFF) CAR AND MORTGAGE SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020


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

	Note	2019/2020	2018/2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	1B	1,354,538	-
Total Receipts		1,354,538	-
Payments			
General expenses-Bank charges	2	9,720	-
Total Payments		9,720	-
Cash flows from operating activities		1,344,818	-
Adjusted for:			
Less: - Interest Receivable		(41,329)	-
Net cash flows from operating activities		1,303,489	-
Cash flows from investing activities			
Proceeds from loan principal repayments		2,418,488	-
Loan disbursements paid out		(19,650,000)	-
Net cash flows used in investing activities	4A	(17,231,512)	-
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		(15,928,023)	-
Cash and cash equivalents at 1 ST JULY 2019		220,991,731	-
Cash and cash equivalents at 30TH JUNE 2020	3	205,063,708	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were amended and approved on 15th January, 2021 and signed by:


 Administrator of the Fund
 Name: Ainea Obare Indakwa




 Fund Accountant
 Name: Lupao Moses Wanjala
 ICPAK Member Number: 8315

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7.5. 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		% utilization	
	2020	Kshs	2020	Kshs	2020	Kshs	2020	Kshs	2020	Kshs	2020	2020
Revenue												
Public contributions and donations	-		-		-		-		-		-	
Transfers from County Assembly.	-		-		-		-		-		-	
Interest income	-		-		-		1,901,219		(1,901,219)		-	
Total income	-		-		-		1,901,219		(1,901,219)			
Expenses												
Fund administration expenses	-		-		-		-		-		-	
General expenses(Bank charges)	-		-		-		9,720		(9,720)		-	
Finance cost	-		-		-		-		-		-	
Total expenditure	-		-		-		9,720		-		-	
Surplus for the period	-		-		-		1,891,499		(1,891,499)		-	

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7.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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

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

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

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting</p>

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

c) Early adoption of standards

The Trans Nzoia County Assembly (Members and Staff) Car Loan and Mortgage Scheme Fund adopted IPSAS Accrual in the year 2019.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield 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 27th June, 2020. 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 County Assembly of Trans Nzoia upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Nil on the FY 2019/2020 budget following the governing body's approval.

The County Assembly of Trans Nzoia 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 10.5 of these financial statements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The County Assembly of Trans Nzoia 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.

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

Provisions are recognized when the County Assembly of Trans Nzoia 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 County Assembly of Trans Nzoia 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 County Assembly of Trans Nzoia does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The County Assembly of Trans Nzoia 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 County Assembly of Trans Nzoia 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 County Assembly of Trans Nzoia creates and maintains reserves in terms of specific requirements. *Trans Nzoia County Assembly (Members and staff) Car Loan and Mortgage Scheme Fund to state the reserves maintained and appropriate policies adopted.*

11. Changes in accounting policies and estimates

The County Assembly of Trans Nzoia recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the 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 Trans Nzoia County Assembly is a County Public Fund established by section 116 of the Public Finance Management Act 2012 (*No: 18 of 2012*) under the County Executive Committee Member for finance. Its ultimate parent is the County Executive of Trans Nzoia.

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

Provisions

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	220,445,050	-
Accumulated surplus	-	-
Total funds	220,445,050	-
Total borrowings	19,650,000	-
Less: cash and bank balances	2,418,488	-
Net debt/(excess cash and cash equivalents)	17,231,512	-
Gearing	-%	-%

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7.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2019/2020	2018/2019
	Kshs	Kshs
Interest income from Staff car & mortgage loans	443,619	-
Interest income from Sidian Acc. 0102620002766	1,457,600	
Total interest income	1,901,219	-
Adjustments:		
Interest on Acc.0102620002766-FY 2018/2019	546,681	
	1,354,538	

(Interest received/recovered from staff car loan and mortgage and interest earned on deposit account no. 01026020002766 held at Sidian Kitale branch)

2. Fund administration expenses

Description	2019/2020	2018/2019
	Kshs	Kshs
Bank Charges	9,720	-
Total	9,720	-

3. Cash and cash equivalents

Description	2019/2020	2018/2019
	Kshs	Kshs
Current account	205,063,708	-
Total Cash and Cash equivalents	205,063,708	

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

Financial institution	Account number	2019/2020	2018/2019
		Kshs	Kshs
Current account			
Sidian Bank Kitale	01026020004442	3,606,108	-
Sidian Bank Kitale	01026020002766	201,457,600	-
Grand Total		205,063,708	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Receivables from exchange transactions

Description	2019 – 2020	2018 – 2019
	Kshs	Kshs
Balance brought forward	-	-
Add: - Borrowing during the year	19,650,000	-
Less:- Proceeds from loan recoveries	(2,418,488)	-
Current principal loan repayment due	17,231,512	-
Interest Receivables		
Balance brought forward	-	-
Gross interest income due	443,619	
Less:- Interest received during the year	(402,290)	
Interest due during the year	41,329	
Total Receivables from Exchange Transactions	17,272,841	

5. Revenue from Non-Exchange Transactions

	2019/2020	2018/2019
	Kshs	Kshs
		-
Revolving fund		
Account No. 01026020002766	200,000,000	-
Account No. 01026020004442	20,427,050	
Reserves in Account No. 01026020004442	18,000	-
Total	220,445,050	-

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

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

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

Guidance Notes:

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