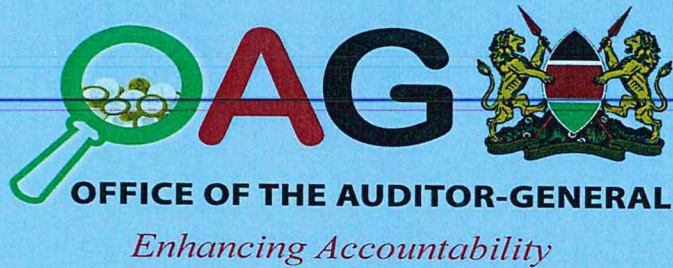


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**WEST POKOT COUNTY ASSEMBLY CAR
LOAN AND MORTGAGE FUND**

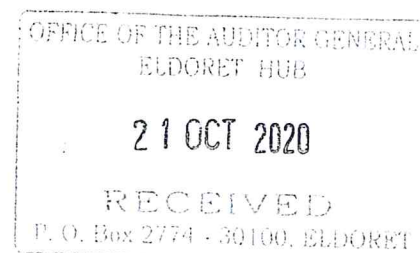
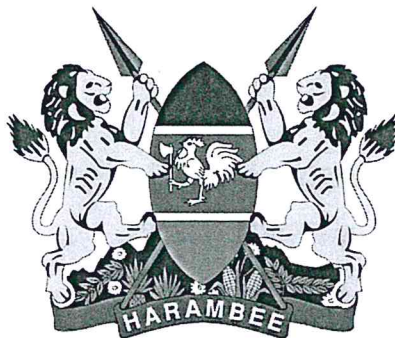
**FOR THE YEAR ENDED
30 JUNE, 2020**

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



WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT**a) Background information**

The West Pokot County Assembly Members Car loan and Mortgage Fund is established by and derives its authority and accountability from The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017 on 5th December 2017. The Fund is wholly owned by the County Government of West Pokot and is domiciled in Kenya.

The fund's objective is to:

- (i) provide a loan scheme for the purchase, development, renovation or repair of residential property,
- (ii) provide loan scheme for the purchase of vehicles by members of the scheme

b) Principal Activities

The principal mandate of the Fund is to provide quality services and convenient loan facilities to its Members.

c) Fund Administration Committee

Ref	Name	Position
1	Hon. Thomas Ngolesia	Chair Person
2	Hon. Peter Lokor Yerer	Member
3	Hon. Francis Krop	Member
4	Hon. Samwel Timtim Korinyang	Member
5	Hon. Martin Komongiro	Member
6	Hon. Emanuel Maddy Polokou	Member
7	Lucia Chenanga	Administrator
8	Denis Plapan Rotich	Principal Finance Officer
9	Jacinta Tulel	Senior Legal Counsel
10	Edgar kitilit	Principle Human Resource

d) Key Management

Ref	Name	Position
1.	David Karugutiang	Accounting Officer
2.	Lucia Chenanga	Head of Budget and Fiscal Analysis
3.	Daniel K. Dapamuke	Head of Committee Services
4.	Denis P. Rotich	Principal Finance Officer
5.	John Takaramoi	Senior Accounts Controller
6.	Edgar K. Kitilit	Principal Human Resource Officer
7.	Solomon Chemeltorit	Head of internal Audit

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

d) Registered Offices

P.O. Box 06 - 30600
County Assembly Building
XXX Avenue/Road/Highway
Kapenguria, KENYA

e) Fund Contacts

Telephone: (254) XXXXXXXX
E-mail: info@westpokotassembly.org
Website: www.westpokotassembly.go.ke

f) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Transnational Bank
Kapenguria Branch
P.O. Box 295-30600

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. THE LOANS MANAGEMENT COMMITTEE

Name	Role
1. Hon. Thomas Ngolesia	Chair person
2. Hon. Peter Lokor Yerer	Member
3. Hon. Francis Krop Losia	Member
4. Hon. Samwel Timtim Korinyang	Member
5. Hon. Martin Komongiro	Member
6. Hon. Emanuel Maddy Polokou	Member
7. Lucia Chenanga	Secretary
8. Denis Plapan Rotich	Member
9. Jacinta Tulel	Member
10. Edgar Kitilit	Member

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

3. MANAGEMENT TEAM


Name	Details
1. David Karugutiang	Accounting Officer
2. Lucia Chenanga	Head of Budget and Fiscal Analysis
3. Daniel K. Dapamuke	Head of Committee Services
4. Denis P. Rotich	Principal Finance Officer
5. John Takaramoi	Senior Accounts Controller
6. Edgar K. Kitilit	Principal Human Resource Officer
7. Solomon Chemeltorit	Head of internal Audit

4. FUND CHAIRPERSON'S REPORT

The West Pokot County Assembly Car loan and Mortgage Fund was established in 2014 by the County Executive Member of Finance in exercise of the powers conferred by section 116 of the Public Finance Management Act, 2012. The Fund was created through the West Pokot Mortgage (Members) Scheme Fund Regulations, 2014 and the West Pokot County Car Loan (Members) Scheme Fund Regulations, 2014 which was later amended to The West Pokot County Assembly Car loan and Mortgage (Amendment) Act, 2017.

At its inception, a total of KES 137, 700,000 was injected to the fund as initial capital and would be a revolving fund. The fund has grown and its Net Financial Position as at 30th June 2020 stood at Kshs 150,551,989.79. In the Financial year, Kshs 29,400,000 was disbursed to new members and a further Kshs 25,000,000 as a loan to the Staff Car Loan and Mortgage Fund bringing the total disbursements to Kshs 54,400,000.

I thank the Committee and the Management for the support and in ensuring that the Fund runs in a smooth and professional manner.

Signed: 

Hon. Thomas Ngolesia

5. REPORT OF THE FUND ADMINISTRATOR

The salaries and Remuneration commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the constitution of Kenya and section 13 of Salaries and remuneration Commission Act, 2011 set and advised on the car and mortgage benefits for members and other state officers. Consequently, the County Assembly through the West Pokot Mortgage (Members) Scheme Fund Regulations, 2014 and the West Pokot County Car Loan (Members) Scheme Fund Regulations, 2014 established the Fund.

The County Assembly Car loan and Mortgage Fund became operational in February 2014 and received a funding of KES 137,700,000.00. The funds' performance over the last financial years has been outstanding. This has been attributed to the consistency in loan repayments and interest earned from loans. At the end of the 2019/20 financial year, the fund had KES 12,851,989.79 in accumulated surplus and a Net Financial Position of KES 150,551,989.79.

In the financial year, KES 54,400,000.00 was advanced as new loans. In the financial year, KES 41,501,588 was received as principal recoveries through payroll. Although the fund earned Kshs 3,250,401 from interest charged on loans during the year, the fund reported a surplus of KES 580,288 for the year resulting from an increase in interest income.

All the securities for the loans of the County Assembly members are under safe custody of the Fund Administrator according to the provision of the West Pokot County Assembly Car and Mortgage Act 2017.

I expect that in the next financial year the fund will continually improve and offer better services to its members.

Signed:  _____

Lucia Chenanga

6. REPORT OF THE COMMITTEE

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

Principal activities

The principal activities of the Fund are to provide mortgages and car loans to its members.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 16.

Trustees

The committee members of the Fund who served during the year are shown on page 4. There were no changes in the Committee during the financial year.

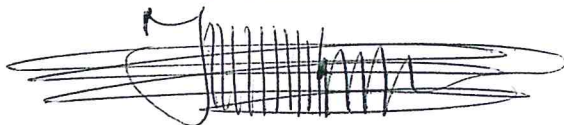
Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Committee

Chairman of the Committee

Date: 19/10/2020



7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017* 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 *The West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017*.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

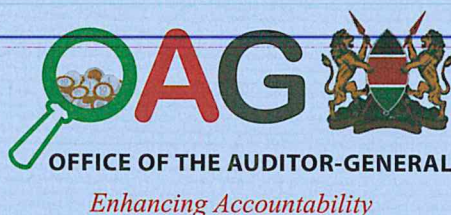
Approval of the financial statements

The Fund's financial statements were approved by the Committee on 19/10
2020 and signed on its behalf by: Lucia Chenango

Administrator of West Pokot County Assembly Car Loan and Mortgage 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 WEST POKOT COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of West Pokot County Assembly Car Loan and Mortgage Fund set out on pages 10 to 41, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of West Pokot County Assembly Car Loan and Mortgage Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017.

Basis for Qualified Opinion

1.0 Presentation and Accuracy of Financial Statements

A review of the financial statements availed for audit review revealed that the statement of comparison of budget and actual amounts related to the year ended 30 June, 2019 instead of 30 June, 2020. In addition, the statement does not reflect the budget figures for the year under review. Under the circumstance, the financial statements are not accurately presented in accordance with International Public Sector Accounting Standards and the reporting template recommended by the Public Sector Accounting Standards Board.

2.0 Unreconciled Cash and Cash Equivalents Balance

As disclosed in Note 11 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.36,929,754 which includes a

balance of Kshs.30,798,525 for an account maintained in a local bank. However, the figure varies with the cash book balance of Kshs.38,230,500 as at 30 June, 2020 resulting to a variance of Kshs.7,431,975 which has not been reconciled or explained.

Under the circumstance, the accuracy and existence of cash and cash equivalent balance of Kshs.36,929,754 as at 30 June, 2020 could not be confirmed.

3.0 Unsupported Fund Administration Expenses

The statement of financial performance reflects a fund administration expenses figure of Kshs.2,661,000. However, the fund did not avail the approved budget for the year under review. In addition, the expenditure does not include legal expenses and insurance expenses. Further, the fund administration expenses of Kshs.2,661,000 was not authorized as no documentary evidence was provided in support of the authorization.

Under the circumstances, the validity, accuracy and propriety of fund administration expenses of Kshs.2,661,000 for the year ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Receivables from Exchange Transactions

1.1 Unauthorized Loans

As disclosed in Note 12 to the financial statements, the statement of financial position shows a current portion of long-term receivables from exchange transactions balance of Kshs.88,782,047 which includes loans totaling to Kshs.10,750,000 in respect of car loan and mortgage that was advanced to two (2) Members of County Assembly (MCAs). According to Part 1 of the Kenya gazette notice Vol.CXIX-No.89 dated 7 July, 2017 under gazette notice number 6518 which stipulates that a Member of County Assembly shall be entitled to a car loan of up to Kshs.2,000,000 and a mortgage of up to Kshs.3,000,000 repayable at an annual interest rate of three per cent (3%) and must be fully repaid by the end of term of the County Government. In this case, the two (2) MCAs were advanced a total of Kshs.10,750,000 instead of Kshs.10,000,000 resulting in un authorized loans of Kshs.750,000.

Consequently, the Fund Administrator contravened the provisions stipulated in Part 1 of the Kenya gazette notice Vol.CXIX-No.89 dated 7 July, 2017 under gazette notice number 6518.

1.2 Irregular issuance of Loans to Members

The statement of financial position reflects current portion of long-term receivables from exchange transactions figure of Kshs.88,782,047 which relates to mortgage loans granted to members. However, a caution was not placed on the securities provided as stipulated in Section 19(c) of the West Pokot County Assembly Car Loan and Mortgage (Amendment) Act, 2017 which requires the loans committee to place a caution on the third party's title. In addition, the mortgage loans issued were not insured as provided for in Section 19(1) of the West Pokot County Assembly Car Loan and Mortgage Act,2015 which states that a borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the mortgage management committee, the cost of which shall paid out of the Fund and debited in such borrower's account. The Mortgage Management Committee has not identified an insurance firm to provide insurance services.

Further, there were no land valuation reports from a registered valuer thus it is not clear how the committee was able to assess the value of security provided and supporting documents such as mortgage insurance and copies of the approved building designs and certified copies of the sale agreements relating to the property acquired were not availed for audit review.

Consequently, the Management is in breach of the law.

2.0 Receivables from Exchange Transactions – Irregular Loan Advance

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a long-term receivables from exchange transactions figure of Kshs.25,000,000 which relates to a loan issued to West Pokot County Assembly Staff Car Loan and Mortgage Fund at zero interest. However, the fund is not mandated to grant loans to West Pokot County Assembly Staff Car Loan and Mortgage Fund. The Management therefore contravened section 4 of the West Pokot County Assembly Car Loan and Mortgage Act, 2015 which stipulates that the object and purpose of the Fund is to enable car loan and mortgage to be advanced to the members of the scheme as may be prescribed by the Salaries and Remuneration Commission.

Consequently, the advancement of the loan of Kshs.25,000,000 to West Pokot County Assembly Staff Car Loan and Mortgage Fund is in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Trade and Other Payables from Exchange Transactions

The statement of financial position as at 30 June, 2020 reflects a trade and other payables from exchange transactions balance of Kshs.159,811. Available records indicated that this amount consists of loan over recoveries which the Fund owes to loanees who had repaid their loans in full. These payables have been pending since the financial year ending 30 June, 2017 and the Management of the Fund has not made effort to refund the over recoveries.

Consequently, the validity and completeness of trade and other payables from exchange transaction balance of Kshs.159,811 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless 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 resources are applied in an effective way.

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 West Pokot County Assembly Car Loan and Mortgage Fund policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of

my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022



8. FINANCIAL STATEMENTS

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

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	3,250,401	4,142,422
Other income	5		-
Total revenue		3,250,401	4,142,422
Expenses			
Fund administration expenses	6	2,661,000	2,214,000
Staff costs	7	-	-
General expenses	8	9,113	14,823
Finance costs	9		
Total expenses		2,670,113	2,228,823
Other gains/losses			
Gain/loss on disposal of assets	10		-
Surplus/(deficit) for the period		580,288	1,913,599

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

8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	36,929,754	19,747,878
Current portion of long term receivables from exchange transactions	12	88,782,047	125,883,635
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	25,000,000	4,500,000
Total assets		150,711,801	150,131,513
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	159,811	159,811
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total liabilities		159,811	159,811
Net assets		150,551,990	149,971,702
Revolving Fund		137,700,000	137,700,000
Reserves		-	-
Accumulated surplus		12,851,990	12,271,702
Total net assets and liabilities		150,551,990	149,971,702

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 19/10/ 2020 and signed by:



Administrator of the Fund


Fund Accountant

8.3. 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 2017	137,700,000	-	10,524,217	148,224,217
Surplus/(deficit) for the period	-	-	(166,114)	(166,114)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	137,700,000	-	10,358,103	148,058,103

Balance as at 1 July 2018	137,700,000	-	10,358,103	148,058,103
Surplus/(deficit) for the period	-	-	1,913,599	1,913,599
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	137,700,000	-	12,271,702	149,971,702

Balance as at 1 July 2019	137,700,000	-	12,271,702	149,971,702
Surplus/(deficit) for the period	-	-	580,288	580,288
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	137,700,000	-	12,851,990	150,551,990

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

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received	4	3,250,401	4,142,422
Receipts from other operating activities		-	-
Total Receipts		3,250,401	4,142,422
Payments			
Fund administration expenses	6	2,661,000	2,214,000
General expenses	8	9,113	14,823
Finance cost		-	3,866,316
Total Payments		2,670,113	6,095,139
Net cash flows from operating activities		580,288	1,952,717
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		41,501,588	37,548,387
Loan disbursements paid out		29,400,000	39,300,000
Net cash flows used in investing activities		12,101,588	1,751,613
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		4,500,000	-
Net cash flows used in financing activities		4,500,000	-
Net increase/(decrease) in cash and cash equivalents		17,181,876	3,704,330
Cash and cash equivalents at 1 JULY	11	19,747,878	19,585,892
Cash and cash equivalents at 30 JUNE	11	36,929,754	19,747,878

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

	Original budget	Adjust- ments	Final budget	Actual on comparable basis	Performance difference	% utilisat- ion
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	-	-	-	3,250,401	(3,250,401)	-
Other income	-	-	-	-	-	-
Total income	-	-	-	3,250,401	(3,250,401)	
Expenses						
Fund administration expenses	-	-	-	2,661,000	(2,661,000)	-
Staff costs	-	-	-	-	-	-
General expenses	-	-	-	9,113	(9,113)	-
Finance cost	-	-	-	-	-	-
Total expenditure	-	-	-	2,670,113	(2,670,113)	-
Surplus for the period	-	-	-	580,288	(580,288)	-

8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

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 28th 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 entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and 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 8.5 of these financial statements.

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.

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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.

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.

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. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Assembly Fund established by The West Pokot County Assembly Car Loan and Mortgage (Amended) Act, 2017. Currency

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

19. 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.

20. 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.

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

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 2020				
Receivables from exchange transactions	113,782,047	113,782,047	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	36,929,754	36,929,754	-	-
Total	150,711,801	150,711,801	-	-
	-	-	-	-
At 30 June 2019	-	-	-	-
Receivables from exchange transactions	130,383,635	130,383,635	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	19,747,878	19,747,878	-	-
Total	150,131,513	150,131,513	-	-

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

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

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

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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 2020				
Trade payables	-	-	159,811	159,811
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	159,811	159,811
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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.

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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 2020			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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			

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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 company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. 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 (2017: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2017 – KShs xxx)

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:

	2020	2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-

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Total borrowings	-		-
Less: cash and bank balances	-		-
Net debt/(excess cash and cash equivalents)	-		-
Gearing	-		-

8.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage or car loans)	3,250,401	4,142,422
Total interest income	3,250,401	4,142,422

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5. Other income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan processing costs	2,661,000	2,214,000
Professional services costs	-	-
Total	2,661,000	2,214,000

7. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

8. General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-

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Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses (bank charges)	9,113	14,823
Total	9,113	14,823

9. Finance costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Gain on disposal of assets

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	36,929,754	19,747,878
Others	-	-
Total cash and cash equivalents	36,929,754	19,747,878

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

		FY2019/2020	FY2018/2019
Financial Institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc.		-	-
Sub- total		-	-
b) On - call deposits			
Sub- total			
c) Current account			
Transnational Bank Ltd	261237/500TCA00/1/0	6,131,229.15	264,934.15
Transnational Bank Ltd	261237/500TCA00/2/0	30,798,524.70	19,482,944.00
Sub- total		36,929,753.85	19,747,878.15
d) Others		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		36,929,753.85	19,747,878.15

12. Receivables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	74,896	74,896
Current loan repayments due	88,707,151	125,808,739
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	88,782,047	125,883,635
Non Current receivables		
Long term loan repayments due	25,000,000	4,500,000

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Total Non-current receivables	25,000,000	4,500,000
Total receivables from exchange transactions	113,782,047	128,632,022

13. Prepayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Total	-	-

14. Inventories

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

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15. Property, plant and equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
KShs	KShs	KShs	KShs	KShs	KShs
At 1st July 2017					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2018	-	-	-	-	-
Depreciation and impairment					
At 1st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2019	-	-	-	-	-
At 1st July 2019					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Net book values					
At 30th June 2020	-	-	-	-	-

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16. Intangible assets-software

Description	FY2019/2020 KShs	FY2018/2019 KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	FY2019/2020 KShs	FY2018/2019 KShs
Trade payables	159,811	159,811
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	159,811	159,811

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18. Provisions

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

19. Borrowings

Description	FY2019/2020 KShs	FY2018/2019 KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

	FY2019/2020 KShs	FY2018/2019 KShs

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External Borrowings		
Dollar dominated loan from 'xxx organization'	-	-
Sterling Pound dominated loan from 'yyy organization'	-	-
Euro dominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

20.Employee benefit obligations

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

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Total employee benefits obligation	-	-	-
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21. Cash generated from operations

	FY2019/2020	FY2018/2019
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

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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:

- a) The County Government;
- b) The Senate;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	FY2019/2020	FY2018/2019
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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d) Due from related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

	FY2019/2020	FY2018/2019
	KShs	KShs
Contingent liabilities		
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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9. 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)
2.0	Current portion of Long term receivables	The variance between the amortization schedule and the current portion of long term receivables from exchange transactions has been fully reconciled and correctly amended.	Fund Accountant	Resolved	
3.0	Statement of Changes in Net Assets	The amount presented as a variance is under Note 17 (Trade payables). This amount was erroneously classified in the Statement of changes in Net Assets; however this has since been	Fund Accountant	Resolved	

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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)
		corrected.			

Guidance Notes:

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