

REPUBLIC OF KENYA



*Enhancing Accountability*

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LIBRARY

**REPORT**

DATE	9/5/2024
TABLED BY	Sen. Orwobog
COMMITTEE	—
CLERK AT THE TABLE	Cherop

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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**COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2023**

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

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

**Annual Report and Financial Statements for the year ended June 30, 2023**

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**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management      The key management personnel who had financial responsibility  
*Provide a list of Acronyms and Key terms used in the financial report as per above example.  
The list to be exhaustive)*

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND  
Annual Report and Financial Statements for the year ended June 30, 2023**

**2. Key Entity Information and Management**

**a) Background information**

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND** is established by and derives its authority and accountability from Trans Nzoia County Executive Car Loan & Mortgage Scheme Fund Regulations, 2023 and Section 116 of Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

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

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

**b) Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	Chairperson	Hon. Boniface Wanyonyi Cosmas
2	CEC PSM-Member	Hon. Samson Ojwang
3	CEC Trade & Industrialization- Member	Hon. Stanley Kirui
4	C.O. Finance & Economic Planning- Member	CPA Emmanuel Wafula Masungo
5	County Attorney- Member	Charles Walioli
6	Secretary- Member	CPA Wanyonyi Kirato Wanjalah

*(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)*

**c) Key Management Steam**

Ref	Name	Position
1	Fund Manager/ Administrator- C.O. Finance & Economic Planning	CPA Emmanuel Wafula Masungo
2	Fund Accountant	CPA Wanyonyi Kirato Wanjalah

**Key Entity and Management (Continued)**

**d) Fiduciary Oversight Arrangements**

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Directorate Internal Audit	Andrew Wekesa Wepukhulu
2	Staff car Mortgage and car Loan Advisory Committee	

**e) Registered Offices**

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

**f) Fund Contacts**

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

**g) Fund Bankers**

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

**Key Entity and Management (Continued)**

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

**j) County Attorney**

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



**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**3. Board/Fund Chairperson's Report**

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

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

**SUSTAINABILITY**

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

**REVIEW OF PERFORMANCE**

**INCOME AND EXPENDITURES:**

The County government was able to inject in an additional capital of KSH. 50,000,000 (Fifty million) only. In this period, the fund raised Ksh. 2,119,950 in form of interests.

The expenditure in form of administration costs amounted to Kshs. 419,213.

**APPRECIATION:**

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



**CPA BONFACE WANYONYI**

**Chairperson of the Board/Fund**

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**4. Board/Fund Manager/Administrator's Report**

I present the Trans Nzoia Executive County Car Loan/Mortgage Loan scheme fund for the period FY 2022/2023. From inception of the fund, the fund capital has grown to Ksh. 133,379,626 after the addition of Kshs. 50,000,000 as transfer by the county from CRF to the fund.

The fund was able to disburse a total of Kshs. 138,680,000 to the members. This a record high since the inceptions of the fund. .

The fund cash and cash equivalents at the closure of the FY amounted to Kshs. 71,538,892. This is a good indication on a going concern.

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



**CPA Emmanuel Wafula Masungo**  
**FUND MANAGER/ADMINISTRATOR**

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**5. Statement of Performance against the County Fund's Predetermined Objectives**

**Introduction**

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

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

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

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

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

## **6. Corporate Governance Statement**

Two-to-three pages

*The Committee to the Fund had meetings within the FY 2022/2023 on various agendas as below:*

*A. 21<sup>st</sup> December, 2022 meeting:*

*Attendance*                      *6 Members*

*Minutes:*                        *-Review of Regulations and schemes policy*

*-Loans Applications*

*-Highlights of Audit Report*

*-Documentations*

*B. 10<sup>th</sup> February, 2023 Meeting*

*Attendance*                      *5Members and 3 apologies*

*Agenda:*                         *-Loans application Proposals*

*-Fund Financiers*

*-AOB*

*C. 12<sup>th</sup> April, 2023 Meeting*

*Attendance*                      *7 Members*

*Agenda:*                         *-Status of Loan applications process*

*-Review of Car Loans & Mortgage regulations*

*-AOB*

*D. 21<sup>st</sup> March, 2023 Meeting*

*Attendance*                      *6 Members and 1 apology*

*Agenda*                         *-Appointment of Fund administrator*

*-Review of the MOU between the county & SBM*

*bank*

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*-Loans application proposal*

*-Corporate Social Responsibility (CSR)*

*-AOB.*

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

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

**INTERNAL CONTROL AND RISK MANAGEMENT:**

**Internal Control**

The fund committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable but not absolute assurance regarding the safe guard of assets against unauthorised use.

**Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control. There were no significant weaknesses identified during the financial year 2022/2023.

**Management Team**

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

**Auditors**

The Fund is audited by the Office of the Auditor General (O.A.G). 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.

**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 Public Finance Act, 2012* (*The Trans Nzoia County Executive Management Regulations, 2018*)) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

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

**Approval of the financial statements**

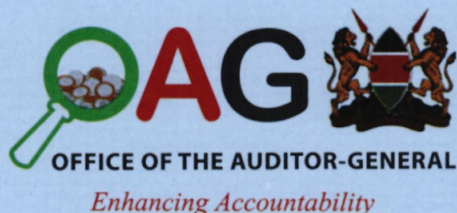
The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2023 and signed on its behalf by:



**Name: CPA Emmanuel Wafula Masungo**  
**ICPAK Number: 19966**  
**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund set out on pages 12 to 37, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial

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*Report of the Auditor-General on Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2023*

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, 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 Executive Car Loan and Mortgage Scheme Fund as at 30 June, 2023 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 and Public Finance Management (The Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund) Regulations, 2018.

### **Basis for Adverse Opinion**

#### **1. Financial Statements Not Supported by Ledger Balances**

The financial statements reflect cash and cash equivalents balance, interest income and general expenses amounts of Kshs.71,538,892, Kshs.2,119,950 and Kshs.419,213 respectively. The three accounts have been supported with general ledger. The other amounts and balances reflected in the financial statements have not however been supported by ledger accounts and trial balance.

In the circumstances, the accuracy and completeness of the balances in the financial statements could not be confirmed.

#### **2. Accuracy of Transfers from County Government**

The statement of financial performance reflects nil transfers from County Government which differs with Kshs.14,379,626 reflected in the statement of comparison of budget and actual amounts. Further, the cash flows statement and statement of net assets reflects proceeds received during the financial year of Kshs.50,000,000 while the statement of comparison of budget and actual amounts reflects an amount of Kshs.14,379,626. The variances have not been explained.

In the circumstances, the accuracy of the transfers from County Government could not be ascertained.

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



## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. 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. Management has however omitted the issues from the financial statements contrary to the requirement of the reporting template and as such, status of the issues could not be established.

## **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 because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Unsecured Loans**

The statement of financial position reflect current and long-term receivables from exchange transactions balances of Kshs.667,263 and Kshs.58,936,679 respectively, and both totalling Kshs.59,603,942. Review of the loan records revealed that the loans were not secured contrary to Section 10(2) of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018. The Regulations provides that the log book of a motor vehicle subject to a loan from the Fund shall be jointly issued in the names of the County and the member of the scheme and shall be kept in the custody of the Fund Administrator until the loan is repaid in full. Further, Section 16(1) requires the County Government to have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

In the circumstances, the funds of the Scheme may be lost through default by loanees as the Fund Management have no recourse to a registered security to recover the amounts.

Management was also in breach of the law.

## **2. Irregular Withdrawal of Funds**

The statement of financial position reflect sundry debtors balance of Kshs.12,900,000, being transfer from the Fund's bank account to County Executive's standing imprest account. No reason was provided for using the Fund's resources on other unauthorized and unbudgeted for activities contrary to Regulation 116(4) of the Public Finance Management (The Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund) Regulations, 2018. The Regulations states that the administrator of a county public fund shall ensure that money held in the fund, including any earnings or accruals referred to in subsection (3) is spent only for the purposes for which the fund is established.

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

## **3. Lack of Approved Budget for the Fund**

The statement of comparison of budget and actual amounts reflects total income and total expenditure budget amounts of Kshs.52,119,950 and Kshs.8,619,950 respectively. The amounts were however, not supported by an approved budget contrary to Section 149(2)(h) of Public Finance Management Act, 2012 that requires an accounting officer to prepare estimates of income and expenditure of the entity in conformity with its strategic plan.

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

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 terminate the Fund or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 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 Management.
- Conclude on the appropriateness of 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 controls that are identified during the audit.

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


26 March, 2024


**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND  
Annual Report and Financial Statements for the year ended June 30, 2023**

**8. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022/23 FY	2021/22 FY
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations		0	0
Transfers From the County Government		0	0
Fines, Penalties and Other Levies		0	0
		<b>0</b>	<b>0</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	2,119,950	1,269,022
Other Income		0	0
		<b>2,119,950</b>	<b>1,269,022</b>
<b>Total Revenue</b>		<b>2,119,950</b>	<b>1,269,022</b>
<b>Expenses</b>			
Employee Costs		0	0
Use of goods and services		0	0
General Expense	8	419,213	9,240
Finance Costs		0	0
<b>Total Expenses</b>		<b>419,213</b>	<b>9,240</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		0	0
Gain /Loss on fair value of investments		0	0
<b>Surplus/(Deficit) for the Period</b>		<b>1,700,737</b>	<b>1,259,782</b>

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

.....  
  
**Name: CPA Emmanuel Wafula Masungo**  
**Administrator of the Fund**  
**ICPAK Mmember Number; 19966**

.....  
  
**Name: CPA Wanyonyi W. Kirato**  
**Fund Accountant**  
**ICPAK Member Number: 13748**

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**9. Statement of Financial Position as at 30 June 2023**

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	71,538,892	8,262,711
Current Receivables	6	667,263	150,156
Prepayments		0	0
Inventories		0	0
Investments in financial assets		0	0
<b>Total current assets</b>		<b>72,206,156</b>	<b>8,412,867</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		0	0
Intangible Assets		0	0
Long Term Receivables from Exchange Transactions	6	58,936,679	68,929,230
Sundry Debtors-County Treasury borrowing	8	12,900,000	10,000,000
<b>Total non- current assets</b>		<b>71,836,679</b>	<b>78,929,230</b>
<b>Total Assets</b>		<b>144,042,834</b>	<b>87,342,097</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	10	5,000,000	0
Accumulated Borrowings (Current Portion of Borrowings)		0	0
Employee Benefit Obligations		0	0
Social benefit liabilities		0	0
<b>Total current liabilities</b>		<b>5,000,000</b>	<b>0</b>
<b>Non-Current Liabilities</b>			
Revolving Fund	9	133,379,626	83,379,626
Reserves		0	0
Accumulated surplus	9	5,663,208	3,962,471
Prior year adjustments for under cast accumulated fund		0	
<b>Total Liabilities</b>		<b>144,442,834</b>	<b>87,342,097</b>
<b>Net Assets</b>			

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revolving Fund	9	133,379,626	83,379,626
Reserves		-	-
Accumulated Surplus	9	5,663,208	3,962,471
<b>Total Net Assets and Liabilities</b>		<b>144,042.834</b>	<b>87,342,097</b>

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 \_\_\_\_\_ 2023 and signed by:

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

.....  
**Name: CPA Wanyonyi Kirato Wanjalah**  
**Fund Accountant**  
**ICPAK Member Number:13748**



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

**Annual Report and Financial Statements for the year ended June 30, 2023**

**10. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2021</b>	<b>73,379,626</b>	<b>0</b>	<b>2,702,689</b>	<b>76,082,315</b>
Surplus/(Deficit) For the Period	0	0	1,259,782	1,259,782
Funds Received During the Year	10,000,000	0	0	10,000,000
Principal repayments	0	0	0	0
Revaluation Gain	0	0	0	0
<b>Balance As At 30 June 2022</b>	<b>83,379,626</b>	<b>0</b>	<b>3,962,471</b>	<b>87,342,097</b>
<b>Balance As At 1 July 2022</b>	<b>83,379,626</b>	<b>0</b>	<b>3,962,471</b>	<b>87,342,097</b>
Surplus/(Deficit) For the Period	0	0	1,700,737	1,700,737
Funds Received During the Year	50,000,000	0	0	50,000,000
Principal repayments	0	0	0	0
Revaluation Gain	0	0	0	0
<b>Balance As At 30 June 2023</b>	<b>133,379,626</b>	<b>0</b>	<b>5,663,208</b>	<b>139,042,835</b>

*(Provide details on the nature and purpose of reserves)*

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**11. Statement of Cash Flows for the Year Ended 30 June 2023**

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0	0
Transfers from the county government		0	0
Interest received	6	1,602,843	1,269,022
Receipts from other operating activities		0	0
<b>Total receipts</b>		<b>1,602,843</b>	<b>1,269,022</b>
<b>Payments</b>			
Fund administration expenses		0	0
General expenses	8	419,213	9,240
Finance cost		0	0
Other payments		0	0
Decrease/(Increase) In Accounts receivable	6	7,092,551	(7,716,520)
Decrease/(Increase) In Accounts receivable	6	0	(10,000,000)
Decrease/(Increase) In Accounts payables	10	5,000,000	0
<b>Net cash flows from operating activities</b>		<b>13,276,181</b>	<b>(16,456,738)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		0	0
Proceeds from sale of property, plant & equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
<b>Net cash flows used in investing activities</b>		<b>(0)</b>	<b>(0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts	1	50,000,000	10,000,000
Additional borrowings		0	0
Repayment of borrowings		0	(0)
<b>Net cash flows used in financing activities</b>		<b>50,000,000</b>	<b>(10,000,000)</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>63,276,181</b>	<b>(6,456,738)</b>
Cash and cash equivalents at 1 July 2022	5	8,262,711	14,719,449
<b>Cash and cash equivalents at 30 June 2023</b>	<b>5</b>	<b>71,538,892</b>	<b>8,262,711</b>

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND SCHEME**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**12. Statement of Comparison of Budget and Actual Amounts for The Period**

Description	Original budget 2022/23	Adjustments	Final budget 2022/23	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	0	0	0	0	0	
Transfers From County Govt.	6,500,000	43,500,00	50,000,000	14,379,626	35,620,374	29%
Interest Income	2,119,950	0	2,119,950	2,119,950	0	100%
Other Income	0	0	0	0	0	0%
<b>Total Income</b>	<b>8,619,950</b>	<b>43,500,000</b>	<b>52,119,950</b>	<b>16,499,374</b>	<b>35,620,374</b>	<b>32%</b>
<b>Expenses</b>						
Fund Administration Expenses	8,619,950	0	8,619,950	419,213	8,200,737	5%
General Expenses	0	0	0	0	0	0%
Finance Cost	0	0	0	0	0	0%
<b>Total Expenditure</b>	<b>8,619,950</b>	<b>0</b>	<b>8,619,950</b>	<b>419,213</b>	<b>8,200,737</b>	<b>5%</b>
<b>Surplus For the Period</b>	<b>0</b>	<b>43,500,000</b>	<b>43,500,000</b>	<b>16,080,363</b>	<b>27,419,637</b>	<b>37%</b>

**Budget notes**

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**13. Notes to the Financial Statements**

**1. General Information**

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

**2. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

*(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

<b>Standard</b>	<b>Effective date and impact</b>
<b>IPSAS 41: Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><b>Impact:</b>  <i>There was no impact of the amendment to the IPSAS 21 with respect to the current financial report as the entity doesn’t have Non-Cash generating Assets and neither it have impaired cash generating assets.</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	
Other improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information</p>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
	<p>gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early*  
*The entity did not early –adopt any new or amended standards in year 2020.*

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2022/2023 was approved by the County Assembly on 30<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added



**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

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to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. 50, 000,000 on the FY 2022/2023 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section/page 8 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

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**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

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**Summary of Significant Accounting Policies (Continued)**

**e) Investment property**

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

**f) Financial instruments**

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

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

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financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash

**Summary of Significant Accounting Policies (Continued)**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**Summary of Significant Accounting Policies (Continued)**

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Financial liabilities**

**Classification**

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

**g) 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

**Significant Accounting Policies (Continued)**

- 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.

**h) 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.

**i) Social Benefits**

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

**j) 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.

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

***Summary of Significant Accounting Policies (Continued)***

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) 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.

**m) 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.

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

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***Summary of Significant Accounting Policies (Continued)***

**n) 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.

**o) 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.

**p) 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.

**q) 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.

**r) Comparative figures**

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

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**5. 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.

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

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



**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

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*Summary of Significant Accounting Policies (Continued)*

**c) Provisions**

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

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

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

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements**

**1. Transfers from County Government**

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	50,000,000	10,000,000
<b>Total</b>	<b>50,000,000</b>	<b>10,000,000</b>

**2. Interest income**

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest Income from Mortgage Loans & Car Loans	2,119,950	1,269,022
<b>Total Interest Income</b>	<b>2,119,950</b>	<b>1,269,022</b>

**3. General Expenses**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Bank error correction	400,000	0
Bank charges	19,213	9,240
<b>Total</b>	<b>419,213</b>	<b>9,240</b>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**4. Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Account: Equity Bank	7,948,190.30	8,262,711
Current Account: SBM Bank	63,590,701.85	0
<b>Total Cash And Cash Equivalents</b>	<b>71,538,892.15</b>	<b>8,262,711</b>

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

Financial Institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
<b>a) Current Account</b>			
Equity Bank	'0330277826034	7,948,190.30	<b>8,262,711</b>
Bank B	'0402405993001	63,590,701.85	0
<b>Sub- Total</b>		<b>71,538,892.15</b>	0
<b>Grand Total</b>		<b>71,538,892.15</b>	<b>8,262,711</b>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**5. Receivables from exchange transactions**

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable from current from previous year	150,156	1,419,178
Total Gross Interests receivable during the year	2,119,950	0
<b>Total Interest receivable for the year</b>	<b>2,270,106</b>	<b>1,419,178</b>
Less: Interest received during the year	(1,602,843)	(1,269,022)
<b>Total Current Receivables</b>	<b>667,263</b>	<b>150,156</b>
<b>Non-Current Receivables</b>		
Current Portion of Long term loans from previous years	68,929,230	61,362,866
Current portion of long-term loans issued in the current year	7,275,041	36,100,000
<b>Total Principal Accounts receivable issued during the year</b>	<b>76,204,271</b>	<b>97,462,866.00</b>
Less: Principal Loan recoveries	(17,267,593)	(28,533,636)
<b>Total Non- Current Receivables</b>	<b>58,936,679</b>	<b>68,929,230</b>
<b>Total Receivables From Exchange Transactions</b>	<b>59,086,835</b>	<b>69,079,386</b>

**TRANS NZOIA COUNTY EXECUTIVES CAR LOAN AND MORTGAGE FUND Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Current Receivables</b>		
Interest receivable from current portion of long-term loans of previous years	150,156	1,419,178
Total Gross Interest receivable during the year	2,119,950	0
<b>Total Interest receivable for the year</b>	<b>2,270,106</b>	<b>1,419,178</b>
Less: Interest received during the year	(1,602,843)	(1,269,022)
<b>Current loan repayments due</b>	<b>667,263</b>	<b>150,156</b>
<b>Non-Current receivables</b>		
Account receivable from previous year	68,929,230	61,362,866
Current portion of long-term loans issued in the current year	22,087,793	36,100,000
	<b>91,017,023</b>	<b>97,462,866</b>
<b>Less: proceeds from Loan recoveries</b>	<b>(17,267,593)</b>	<b>( 28,533,636)</b>
<b>Total</b>	<b>73,749,431</b>	<b>68,929,230</b>
<b>Total receivable from exchange transactions</b>	<b>73,899,587</b>	<b>69,079,386</b>

**Trans Nzoia County Executives Car Loan And Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements (Continued)**

**6. Cash generated from operations**

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>3,972,471</b>	<b>3,962,471</b>
<b>Adjusted For:</b>		
Interest income during the year	1,602,843	1,269,022
<b>Working Capital adjustments</b>	<b>0</b>	<b>0</b>
Increase in receivables	(4,820,201)	(7,716,520)
Increase in payables	0	0
<b>Net cash flow from operating activities</b>	<b>(12,475,027)</b>	<b>( 2,485,027)</b>

**7. Sundry Debtors**

County Treasury borrowing	10,000,000	10,000,000
Imprest account	12,900,000	0
<b>Total</b>	<b>22,900,000</b>	<b>10,000,000</b>
Less refunds during the year	(10,000,000)	150,156
<b>Total</b>	<b>12,900,000</b>	<b>10,000,000</b>

**8. Revenue from Non-Exchange Transactions**

	Revolving Fund	Revaluation Reserve	Accumulated Surplus	Total
<b>Balance as at 01/07/2021</b>	73,379,626	-	2,962,689	76,082,315
Surplus(Deficit for the period	0	-	1,259,782	1,259,782
Funds received during the year	10,000,000	-	0	10,000,000
<b>Balance as at t 30 June 2022</b>	<b>83,379,626</b>	<b>-</b>	<b>3,962,471</b>	<b>87,342,097</b>
<b>Balance as at t 30 July 2022</b>	<b>83,379,626</b>	<b>-</b>	<b>3,962,471</b>	<b>87,342,097</b>
Surplus(Deficit for the period	0	-	1,700,737	1,700,737
Funds received during the year	50,000,000	-	0	50,000,000
<b>Balance as at t 30 June 2022</b>	<b>133,379,626</b>	<b>-</b>	<b>5,663,208</b>	<b>139,042,834</b>

**9. Sundry Payables**

	2022-23	2021-22
County Treasury Borrowing	5,000,000	-
Total	5,000,000	-