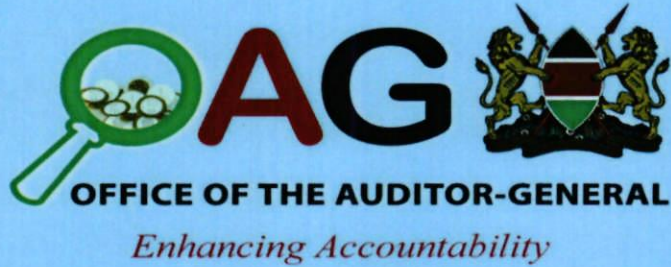


REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**TURKANA COUNTY ASSEMBLY  
CAR LOAN AND MORTGAGE FUND**

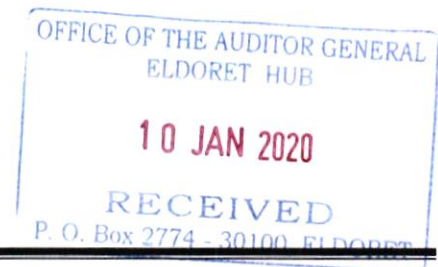
**FOR THE YEAR ENDED  
30 JUNE, 2019**

PAPERS LAID	
DATE	15-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODU



**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2019**

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**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2019**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Turkana county assembly car loan and Mortgage fund is a revolving fund established pursuant to the Turkana County Assembly car Loan (Members) scheme Fund regulations, 2014 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund Turkana county Assembly adopted the PFM regulations 2014 to guide in the operationalization of the fund. Proper Management of funds was also assisted by the SRC circular dated 14<sup>th</sup> February 2014 under reference SRC/TS/WH/3/14. In that regard the County Service Board appointed a banking institution to manage the fund.

The county assembly in its scheme fund regulations, 2014 dated 27<sup>th</sup> June 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers.

The fund is wholly owned by the Turkana County Assembly and is domiciled in the Republic of Kenya.

**b) Principal Activities**

The principal activity/mission/ mandate of the fund is to provide car loans for members.

**Vision**

“The fund of choice for Members of the county assembly.”

**Mission**

“To provide affordable, accessible and sustainable car loans to Members of county assembly.”

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon.Stephen Edukon	Chairperson – Car Loan and Mortgage committee
2	Mr.Lokawa Linus Miinyan	Clerk-Turkana County Assembly
3	CPA Columbus Lokwei Epetet	Director Finance and shared services

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mr.Lokawa Linus Miinyan	Clerk
2	Mr.John Nakuleu	Fund Administrator
3	CPA Columbus Lokwei Epetet	Director Finance and shared services
4	Mr.Timothy Ekidor Ekal	Principal Finance Officer

**e) Registered Offices**

P.O. Box 11-30500  
Lodwar

**f) Fund Contacts**

E-mail: [turkancountyassembly@.go.ke](mailto:turkancountyassembly@.go.ke)  
Website: [www.turkanaassembly.go.ke](http://www.turkanaassembly.go.ke)

**g) Fund Banker**

Cooperative Bank of Kenya  
Lodwar Branch  
P.O BOX 25-30500  
Lodwar, Kenya

**h) Independent Auditors**




Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**i) County Legal Adviser**

The County Attorney  
Turkana County Government  
P.O. Box 25-30500  
Lodwar, Kenya

2. THE BOARD OF TRUSTEES





The board of trustees during the financial year consisted of:

	<p><b><u>Hon. Stephen Edukon- Chairperson Car Loan and Mortgage Committee</u></b></p> <p>Mr. Stephen Edukon was appointed the chairperson of the Car Loan and Mortgage. Hon. Stephen Edukon is the MCA of Turkwel ward and is also the vice chairperson of CASB of Turkana County Assembly.</p>
	<p><b>Mr. Lokawa Linus Miinya – Clerk, TCA</b></p> <p>Mr. Linus Lokawa Miinyan is the first Clerk Turkana County Assembly. He holds a Bachelor of Commerce Degree (Economics) from Masinde Muliro University. He is also the Secretary of the CASB of Turkana County Assembly.</p>
	<p><b>CPA Columbus Lokwei Epetet</b></p> <p>CPA Columbus Lokwei Epetet was by virtue of the fund regulations appointed as the board Trustee of the fund. Currently he is the Director Finance and shared Services in Turkana County Assembly. He holds a bachelor of commerce in Finance option from the University of Nairobi. He is Certified Public Accountant (CPA)</p>

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2019**

**3. MANAGEMENT TEAM**

The management during the financial year consisted of:

	<p><b>Mr.Lokawa Linus Miinyan – Clerk,TCA</b>          Mr.Linus Lokawa Miinyan is the first Clerk Turkana County Assembly. He holds a Bachelor of Commerce Degree (Economics) from Masinde Muliro University. He is also the Secretary of the CASB of Turkana County Assembly.</p>
	<p><b>CPA Columbus Lokwei Epetet</b>          CPA Columbus Lokwei Epetet was by virtue of the fund regulations appointed as the board Trustee of the fund. Currently he is the Head of Director Finance and shared Services of the Turkana County Assembly. He holds a bachelor of commerce in Finance option from the University of Nairobi. He is also Certified Public Accountant(CPA)</p>
	<p><b>Mr. Timothy Ekidor Ekal</b>          Mr.Timothy Ekidor Ekal was by virtue of the fund regulations appointed as the principal finance officer. Currently he is the Head of the Finance of Turkana County Assembly. He holds a bachelor of commerce degree from Kenyatta university</p>
	<p><b>John Nakuleu Lotukoi– Fund Administrator</b>          John Nakuleu Lotukoi was appointed as the Fund Accountant on 1<sup>st</sup> June 2018. He is the head of Budget Department in County Assembly of Turkana. He holds a Bachelor of Business Administration (Accounting) from Moi University.</p>



#### **4. FUND CHAIRPERSON'S REPORT**

On behalf of the Car Loan and Mortgage Management committee, I present the Turkana County Assembly Car loan and Mortgage scheme fund financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year.

##### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

##### **Board and Management Changes**

The New committee reviewed and interrogated the adequacy and effectiveness of the fund's organogram in carrying out its mandate and make recommendations. The board carried out the assignment and made several recommendations key among them the automation of the fund's operations. The organisation arrangement is expected to enhance efficiency in service delivery.

##### **Review of performance**

###### **Income**

The fund earned revenues amounting to KShs. 6,691,119 from interests' income. This income was fairly achieved compared to the previous year. This income was high because most beneficiarys had repaid back their loans with accumulative interests. The income also increased due to the start of 2<sup>nd</sup> term of members of the county assembly.

Fund implementation process during the period was carried out as per the plan, with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening cash balance of KShs.73,810,572 at the beginning of the year.

###### **Expenditures**

The total expenditures during the period amounted to KShs.711,330 as Fund administration expenses and general expenses.

#### **FUND CHAIRPERSON'S REPORT**

##### **Future outlook**

The outlook of the Fund for 2018/2019 looks brighter. The fund hopes to establish other funds like Car Loan and mortgage fund for the staff of the county assembly. The fund focus is looking to

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2019**

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build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management, staff and fellow trustees for their continued support which made us achieve these results.

I look forward to your continued support in the year 2019/2020.

Signed: \_\_\_\_\_

**Hon.Stephen Edukon**  
**Chairman-Car Loan and Mortgage management committee**

**5. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the car loan and Mortgage financial statements for the year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over the past year.

The fund was established on February 2014 and started with an initial amount of KShs 141 M appropriated by the Turkana County Assembly in the Turkana County Appropriation(Amendment) Act,2014. Since then, a total of over 50 loan beneficiaries have made borrowings amounting to more than KShs 200 M.

**Financial Performance****a) Revenue**

In the year ended 30<sup>th</sup> June 2019, the fund had projected income interests of ksh. 6,691,119 as revenues of the fund.

In the table below, we present an analysis of revenue performance during the year.

<b>Revenue classification</b>	<b>Revenue budget (KShs)</b>	<b>Actual (KShs)</b>	<b>Realisation (%)</b>
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	
Interest income	14,987,447	6,691,119	45%
<b>Total income</b>	<b>14,987,447</b>	<b>6,691,119</b>	<b>45%</b>

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**REPORT OF THE FUND ADMINISTRATOR (Continued)**

**b) Loans**

During the financial year 2018/2019, the fund disbursed loans to members bringing the total loan beneficiaries to date to over 50 members. There was an increase in disbursements and the highest recorded in a single financial year since the inception of the fund.

**c) Cash flows**


In the FY 2018/2019, we have had many liquidity disruptions. This was as a result of improper planning and poor loan collections. The cash and cash equivalents decreased from KShs 73,810,572 as at 30<sup>th</sup> June 2018 to KShs 23,616,069 as at 30<sup>th</sup> June 2019.

**d) Conclusion**

FY 2018/2019 was a good year in general. Good progress was made and the momentum has been created to enable Turkana County Assembly Car loan and Mortgage scheme fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

**REPORT OF THE FUND ADMINISTRATOR**

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who we have worked hand in hand to ensure Turkana County Assembly Car loan and Mortgage scheme fund achieves its mission.

Signed:  \_\_\_\_\_

**Mr. John Nakuleu Lotukoi**  
**Fund Administrator**

## **6. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

The Turkana County Assembly Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Turkana County Assembly car Loan and scheme Fund regulations, 2014. Its mandate is to provide car loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by a Turkana County Assembly Car Loan and Mortgage scheme Fund Regulations, 2014. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

### **THE BOARD OF TRUSTEES**

Scheme Fund Regulations, 2014 provides that the board of trustees shall be made up of nine trustees, including the chairman, and shall consist of a chairperson and eight other members. The board of trustees is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator. The board of trustees exercises leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the board of trustees have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

### **BOARD MEETINGS**

The board of trustees shall be convening meetings at such times as may be necessary for the discharge of the committee's functions. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held three board meetings during the FY 2018/2019.

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**For the year ended 30 June, 2019**

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**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**AUDIT AND RISK COMMITTEE**

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of trustees has established an audit and risk committee. The committee was established to advise the board of trustees on institutional risk management and compliance. The committee held one meeting during the year. The committee is also planning to meet the Fund's external auditors KENAO to deliberate on risk management issues. The members of this committee during the year under review were:

<b>S/No.</b>	<b>Name</b>	<b>Position in committee</b>	<b>Period Served</b>
1	Mrs.Sarah Chumba	Chairperson	13 <sup>th</sup> April 2018 to 12 <sup>th</sup> April 2021
2	Mr. Ekadeli Michael	Member	13 <sup>th</sup> April 2018 to 12 <sup>th</sup> April 2021
3	Mr.Justus Emeri	Member	13 <sup>th</sup> April 2019 to 12 <sup>th</sup> April 2021

**STATEMENT OF COMPLIANCE**

The board of trustees confirms that the fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

With regard to compliance the fund has fully meet the requirement that the board of trustees ought to be between nine in number as guided by the fund regulations.

**INTERNAL CONTROL AND RISK MANAGEMENT**

**Internal Control**

The trustees are 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 safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

**STATEMENT OF CORPORATE GOVERNANCE**

**Standing Instructions**

The fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

### **Strategic Plan**

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

### **Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2018/2019.

### **Risk Management**

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

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**STATEMENT OF CORPORATE GOVERNANCE (Continued)**

**Management Team**

The management team headed by the clerk who implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**Auditor**

The fund is audited by the Auditor-General.



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund earned its revenue amounting to KShs 6,691,119 from its income interest. The income interests was fair enough because the fund was disbursed towards the opening of the financial year.

The fund remained liquid throughout the year experiencing high liquidity towards the end of the financial year due to increased collections from members, and the county government. The fund is projecting increased support from the development partners as well as the county government.

#### **Cash flow**

The cash and cash equivalents decreased from KShs 73,810,572 as at 30 June 2018 to KShs 23,616,069 as at 30 June 2019. There was significant cash inflow from collections from members, other contributions and the county government.

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity has been the offering car loans to members of the county assembly. The county assembly has supported the fund and increased collections from members has also added to the fund's better performance.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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During the year, the fund reviewed its organization structure that resulted to growth of staff from one (1) to two (2) for increased efficiency and effectiveness to achieve the strategic objectives.

**Conclusion**

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2018/2019.

**8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

We are looking forward to getting involved more in these and other areas, and the management team has been tasked with coming up with more CSR ideas.

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**For the year ended 30 June, 2019**

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**9. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019, which show the state of the Fund affairs.

**Principal activities**

The principal activity of the Fund is to provide financing to the members of the county assembly to purchase cars and houses for personal use.

**Results**

The results of the Fund for the year ended June 30, 2019 are set out on pages 20 to 24.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 4 and 5. There were no changes in the Board during the FY 2018/19.

**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 Board

  
**Linus Lokawa Miinyan**

*Clerk, TCA*

Date: 10/01/2020

## **10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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, 2019, 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 10/01/ 2020 and signed on its behalf by:



**Mr. John Nakuleu Lotukoi**  
**Car Loan and Mortgage Fund Administrator**

# 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 TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Turkana County Assembly Car Loan and Mortgage Fund set out on pages 20 to 50, which comprise the statement of financial position as at 30 June, 2019, 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 Turkana County Assembly Car Loan and Mortgage Fund as at 30 June, 2019, 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 Turkana County Assembly Car Loan Scheme Fund Regulations, 2014 and the Turkana County Assembly Mortgage Fund Regulations, 2014.

#### **Basis for Qualified Opinion**

##### **1.0 Receivables**

##### **1.1 Unsecured Car and Mortgage Loans**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.207,308,873 as at 30 June, 2019 in respect of outstanding car loan and mortgage. Available information indicates that, forty-four (44) current and previous members of Turkana County Assembly had outstanding car loan and mortgage amounting to Kshs.195,922,637 as at 30 June, 2018. During the year ended 30 June, 2019, additional car and mortgage loans amounting to Kshs.66,990,000 was disbursed. The amount comprises of Kshs.22,780,000 disbursed as additional car and mortgage loans to twelve (12) members and Kshs.44,210,000 disbursed to nine (9)

members with no previous loans. As reported in the previous year, mortgage loans were not supported by copies of designs, bills of quantities, official search of the title, valuation reports of the properties and certified copies of the sale agreements, mortgage protection policy and a fire policy with an insurance firm approved by the board and joint charge registered in the properties contrary to Regulation 10(1) of The Public Finance Management (Turkana County Assembly Mortgage Scheme Fund) Regulation, 2014 which states an application for a loan under these Regulations shall be accompanied by the following documents where appropriate:

- (a) Copies of the designs of the proposed residential property duly approved by the relevant county government department within whose area it is to be situated,
- (b) bills of quantities in respect of the proposed development, renovation or repair,
- (c) an official search of the title to the property intended to be purchased and
- (d) certified copy of the sale agreement relating to the property.

This is contrary to:

- (a) Regulation 15(1) which states that the board may have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name in all documents of title for such property,
- (b) Regulation 16(1) 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 board, the cost of which shall be paid out of the fund and debited on the borrower's account and
- (c) Regulation 16(2) which requires that the originals of all documents relating to property financed by a loan from the fund shall be kept in safe custody by the officer administering the fund.

Further, the car loans are not supported by motor vehicle log books issued in joint name of the board and member and comprehensive motor vehicle insurance contrary to:

- (a) Regulation 8(1) of The Public Finance Management (Turkana County Car Loan Scheme Fund) Regulations, 2014 which states that a loan approved under regulation 7 shall be released from the fund in such manner, taking into account the security of the funds, as may be prescribed by the committee,
- (b) Regulation 8(2) which states that the log book of a vehicle subject to a loan from the Fund shall be issued jointly between the Turkana County Assembly Service Board and the member of the scheme and shall be kept in custody of the officer administering the Fund until the loan is repaid in full by the member of the scheme,

- (c) Regulation 13(1) which states that a member of the scheme shall comprehensively insure any vehicle purchased through the scheme and
- (d) Regulation 13(4) which states that every loan granted under these regulations shall be insured for the benefit of the member of the scheme and the premium in respect thereof shall be debited to the account of the member of the Fund.

Consequently, the Management is in breach of the law and in the event of default there is a possibility the granted loans may not be recovered.

## **1.2 Insurance Claim for Deceased Member**

Included in the car loan and mortgage balance of Kshs.207,308,873 as at 30 June, 2019 as disclosed in Note 12 to the financial statements is car loan balance of Kshs.1,148,427 and mortgage balance of Kshs.556,210 all totalling to Kshs.1,704,637 owed by a deceased member. Available information indicates that the deceased member received a car loan of Kshs.2,000,000 and mortgage of Kshs.2,000,000 all totalling to Kshs.4,000,000 in September, 2014 repayable at an interest rate of 3% per annum on reducing balance. At the time of his demise, he had outstanding mortgage balance of Kshs.556,210 and car loan balance Kshs.1,148,427. However, Management did not provide evidence whether the member had taken out an insurance policy with an insurance firm as required by Regulation 16(1) of the Public Finance Management (Turkana County Assembly Mortgage Scheme Fund) Regulations, 2014 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 Board, the cost of which shall be paid out of the Fund and debited in the borrower's account and Regulations 13(4) of the Public Finance Management (Turkana County Car Loan Scheme Fund) Regulations, 2014 which requires that every loan granted under these Regulation shall be insured for the benefit of the member of the scheme and the premium in respect thereof shall be debited to the account of the member of the Fund.

In the circumstances, the Fund is likely to lose funds as the recoverability of Kshs.1,704,637.22 owed by the deceased member is doubtful.

## **2.0 Lending to the County Assembly**

The statement of cashflows reflects a cash outflow in respect of lending to the Turkana County Assembly amounting to Kshs.44,788,057 while the Assembly's financial statements and workings reflect an amount of Kshs.28,265,085 resulting in an unexplained and unreconciled variance of Kshs.16,522,972.

Consequently, the accuracy of the financial statements for the year ended 30 June, 2019 cannot be ascertained.

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



requirements applicable to performing audits of financial statements in Kenya. 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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**

#### **Loan Discharge Certificates**

Available information indicates that car loan amounting to Kshs.96,000,000 was paid to forty eight (48) members of Turkana County Assembly in September, 2014 with each member receiving Kshs.2,000,000 for purchase of motor vehicles. Full principal loan repayments amounting to Kshs.94,000,000 was received from forty seven (47) members of the first County Assembly. As reported in the previous year, no evidence was provided to show that the members who had cleared their car loans were issued with loan discharge certificates as required by Regulation 14(1) of The Public Finance Management (Turkana County Car Loan Scheme Fund) Regulations, 2014 which states that upon full repayment of the loan, a signed loan discharge certificate in such form as may be prescribed by the committee shall be issued to the member of the scheme and copy thereof shall be forwarded to the Registrar of Motor Vehicle. Consequently, the Management is in breach of the Fund regulations.

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 matters described in the Basis for Qualified Opinion 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.

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 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 ability of the Fund 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 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**

**13 January, 2022**

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**12. FINANCIAL STATEMENTS**

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

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	0	219,000,000
Fines, penalties and other levies	3	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	6,691,119	136,741
Other income	5		-
<b>Total revenue</b>		<b>6,691,119</b>	<b>219,136,741</b>
<b>Expenses</b>			
Fund administration expenses	6	646,000	-
General expenses	8	65,330	16,295
Finance costs	9		-
<b>Total expenses</b>		<b>711,330</b>	<b>16,295</b>
<b>Other gains/(losses)</b>			
Gain/(loss) on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>5,979,789</b>	<b>219,120,446</b>


The notes set out on pages 33 to 44 form an integral part of these Financial Statements


**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/2019	FY2017/2018
			KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	23,616,069	73,810,572
Current portion of long term receivables from exchange transactions	12	149,402,378	104,614,321
Prepayments	13		-
Inventories	14		-
<b>Total Current asset</b>		<b>173,018,447</b>	<b>178,424,893</b>
<b>Non-current assets</b>			
Property, plant and equipment	15		-
Intangible assets	16		-
Long term receivables from exchange transactions	12	207,308,873	195,922,637
<b>Total Non-current asset</b>		<b>207,308,873</b>	<b>195,922,637</b>
<b>Total assets</b>		<b>380,327,320</b>	<b>374,347,530</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17		-
Provisions	18		-
Current portion of borrowings	19		-
Employee benefit obligations	20		-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20		-
Long term portion of borrowings	19		-
			-
<b>Total liabilities</b>			-
<b>Net assets</b>		<b>380,327,320</b>	<b>374,347,530</b>
Revolving Fund		153,601,159	153,601,159
Reserves			-
Accumulated surplus		226,726,161	220,746,372
<b>Total equity</b>		<b>380,327,320</b>	<b>374,347,530</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 10/01/2020 and signed by

  
 Administrator of the Fund  
 Nakuleu Lotukoi

  
 Clerk, TCAName: John  
 Name: Lokawa Linus Miinyan

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**

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**12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2018</b>	153,601,159	-	1,625,926	<b>155,227,084</b>
Surplus/(deficit) for the period	-	-	219,120,446	<b>219,120,446</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	153,601,159	-	220,746,372	<b>374,347,530</b>
<b>Balance as at 1 July 2018</b>	<b>153,601,159</b>	-	<b>220,746,372</b>	<b>374,347,531</b>
Surplus/(deficit) for the period	-	-	<b>5,979,789</b>	<b>5,979,789</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>153,601,159</b>	-	<b>226,726,161</b>	<b>380,327,320</b>

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Not e	FY2018/2019		FY2017/2018
		Kshs		KShs
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Public contributions and donations				-
Transfers from the County Government	2	0	219,000,000	219,000,000
Interest received	4	6,691,119	136,741	136,741
Receipts from other operating activities				-
<b>Total Receipts</b>		<b>6,691,119</b>	<b>219,136,741</b>	<b>219,136,741</b>
<b>Payments</b>				
Fund administration expenses	6	646,000	-	-
General expenses	8	65,330	16,295	(16,295)
Finance cost				-
<b>Total Payments</b>		<b>711,330</b>	<b>16,295</b>	<b>16,295</b>
<b>Net cash flows from operating activities</b>		<b>5,979,789</b>	<b>219,120,446</b>	<b>219,120,446</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant, equipment and intangible assets				-
Proceeds from sale of property, plant and equipment				-
Proceeds from loan principal repayments		55,603,764	8,265,583	8,265,583
Loan disbursements paid out		(66,990,000)	(194,218,000)	(194,218,000)
<b>Net cash flows used in investing activities</b>		<b>(111,386,236)</b>	<b>(185,952,417)</b>	<b>(185,952,417)</b>
<b>Cash flows from financing activities</b>				
Proceeds from revolving fund receipts		-		219,000,000
Lending to Turkana County Assembly		(44,788,057)	(1,989,295)	-
Repayment of borrowings		-		(1,989,295)
<b>Net cash flows used in financing activities</b>		<b>(44,788,057)</b>	<b>(1,989,295)</b>	<b>217,010,704</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(50,194,504)</b>	<b>31,178,734</b>	<b>31,178,734</b>
Cash and cash equivalents at 1 JULY		73,810,572	42,631,842	42,631,842
<b>Cash and cash equivalents at 30 JUNE</b>	11	<b>23,616,069</b>	<b>73,810,572</b>	<b>73,810,572</b>



**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Interest income	14,987,447.00	0	14,987,447.00	6,691,119.00	8,296,328.00	45%
Cash and Cash Equivalent at beginning of the year	0	73,810,572.00	73,810,572.00	73,810,572.00	0	100%
<b>Total income</b>	<b>14,987,447.00</b>	<b>73,810,572.00</b>	<b>88,798,019.00</b>	<b>80,501,691.00</b>	<b>8,296,328.00</b>	<b>91%</b>
<b>Expenses</b>						
Fund administration expenses	646,000.00	0	646,000.00	646,000.00	0	100%
General expenses	65,330.00	0	65,330.00	65,330.00	0	100%
Loan Disbursement	0	73,810,572.00	73,810,572.00	56,174,293.00	17,636,279.00	76%
<b>Total expenditure</b>	<b>711,330.00</b>	<b>73,810,572.00</b>	<b>74,521,902.00</b>	<b>56,885,623.00</b>	<b>17,636,279.00</b>	<b>76%</b>
<b>Surplus for the period</b>	<b>14,276,117.00</b>	<b>0</b>	<b>14,276,117.00</b>	<b>23,616,068.00</b>	<b>(9,339,951.00)</b>	<b>165%</b>

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
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**For the year ended June 30, 2019**

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**12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2019</b> 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**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 30<sup>th</sup> June 2018. 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 12.5 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**TURKANA COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

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

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

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

***Contingent liabilities***

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contingent assets*

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

**10. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**11. Changes in accounting policies and estimates**

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

**12. Employee benefits – Retirement benefit plans**

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

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

**13. Foreign currency transactions**

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Borrowing costs**

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

**15. Related parties**

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

**16. Cash and cash equivalents**

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

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the county assembly of Turkana.

**20. Currency**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Significant judgments and sources of estimation uncertainty**

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

**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**22. Financial risk management**

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

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

**a) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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
<b>At 30 June 2019</b>				
Receivables from exchange transactions	149,402,378	149,402,378		-
Receivables from non-exchange transactions	207,308,873	207,308,873		-
Bank balances	23,616,069	23,616,069		-
<b>Total</b>	<b>380,327,320</b>	<b>380,327,320</b>		-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	104,614,321	104,614,321		-
Receivables from non-exchange transactions	194,218,000	194,218,000	-	-
Bank balances	73,810,572	73,810,572	-	-
<b>Total</b>	<b>372,642,893</b>	<b>372,642,893</b>	-	-

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**b) Liquidity risk management**

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

	KShs	Other currencies KShs	Total KShs
<b>At 30 June 2019</b>			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2018</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2017</b>			
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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

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

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	153,601,159	153,601,159
Accumulated surplus	226,726,161	220,746,372
<b>Total funds</b>	<b>380,327,320</b>	<b>374,347,530</b>
Total borrowings	-	-
Less: cash and bank balances	(23,616,069)	(73,810,572)
Net debt/(excess cash and cash equivalents)	(23,616,069)	(73,810,572)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

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**1.3. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

These refer to donations received from domestic and foreign donors. The funds include donations received directly by the County Government and those that are received by the National Government first and disbursed to the County.

**2. Transfers from County Government**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Transfer from county Government	-	219,000,000
<b>Total</b>	<b>-</b>	<b>219,000,000</b>

**3. Fines, penalties and other levies**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. Interest income**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from loans (mortgage or car loans)	6,691,119	136,740
<b>Total interest income</b>	<b>6,691,119</b>	<b>136,740</b>

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**5. Other income**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	<b>-</b>	<b>-</b>

**6. Fund administration expenses**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Loan Committee Allowances(Expenses)	646,000	-
Professional services costs	-	-
<b>Total</b>	<b>646,000</b>	<b>-</b>

**7. Staff costs**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses-Bank charges	65,330	16,295
<b>Total</b>	<b>65,330</b>	<b>16,295</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Finance costs**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Gain on disposal of assets**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**11. Cash and cash equivalents**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	23,616,069	73,810,572
Others	-	-
<b>Total cash and cash equivalents</b>	<b>23,616,069</b>	<b>73,810,572</b>

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
<b>a) Fixed deposits account</b>			
<b>b) On call Deposits</b>			
<b>c) Current Account</b>			
Turkana County Assembly Car Loan & Mortgage scheme-Cooperative Bank-Lodwar Branch	1141591530500	23,616,069	73,810,572
<b>Sub- total</b>		<b>23,616,069</b>	<b>73,810,572</b>
<b>b) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>23,616,069</b>	<b>73,810,572</b>

**12. Receivables from exchange transactions**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due	149,402,378	104,614,321
Other exchange debtors	-	-
Less: impairment allowance	(0)	(0)
<b>Total Current receivables</b>	<b>149,402,378</b>	<b>104,614,321</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	207,308,873	195,922,637
<b>Total Non-current receivables</b>	<b>207,308,873</b>	<b>195,922,637</b>
<b>Total receivables from exchange transactions</b>	<b>356,711,251</b>	<b>300,536,958</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Prepayments**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14. Inventories**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Property, plant and equipment**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Intangible assets-software**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**17. Trade and other payables from exchange transactions**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	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	-	-	-	-
<b>Total provisions</b>	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Borrowings**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	FY2018/2019	FY2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from Bank	-	-
Sterling Pound denominated loan from Bank	-	-
Euro denominated loan from Dfid	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Employee benefit obligations**

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

**21. Cash generated from operations**

	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Surplus for the year before tax</b>	<b>5,979,789</b>	<b>219,120,446</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Decrease in inventory	-	-
(Increase )/Decrease in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>5,979,789</b>	<b>219,120,446</b>

**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) County Assembly of Turkana;
- b) Board of Trustees; and
- c) Key management personnel.



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**b) Related party transactions**

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	-	219,000,000
Transfers to related parties	-	-

**c) Key management remuneration**

	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	FY2018/2019	FY2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

Contingent liabilities	FY2018/2019	FY2017/2018
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

*(Give details)*

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**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
ELD/TCCMF/2017-2018-2-020023-19-12	Submission of financial statements	Financial statements to be submitted to the office of the Auditor General by 30 september each financial year.	Linus Lokawa-Clerk Columbus Lokwei-Director Finance and shared services Timothy Ekidor-Principal Finance Officer	Resolved	30 September 2019
ELD/TCCMF/2017-2018-2-020023-19-12	Unsecure car and Mortgage Loans	The management committee and management of Turkana county assembly accepts the fact that loans for the assembly were not insured but thus leading to non-recovery of the unpaid car loan and mortgage for the deceased member of the county assembly.	Linus Lokawa-Clerk Columbus Lokwei-Director Finance and shared services Timothy Ekidor-Principal Finance Officer	Not resolved	30 June 2020

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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)
		However all loans disbursed for the second assembly were insured with a credible insurance company approved by the board.			
ELD/TCCMF/2017-2018-2-020023-19-12	Loan Discharge certificates	The management has noted this requirement and will ensure that the same is affected during the end of the second assembly.	Linus Lokawa-Clerk Columbus Lokwei-Director Finance and shared services Timothy Ekidor-Principal Finance Officer	Not resolved	30 June 2020

**Guidance Notes:**

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

