

REPORT

OF

THE AUDITOR-GENERAL

ON

**KILIFI COUNTY ASSEMBLY CAR LOAN
AND MORTGAGE SCHEME 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-ADJIBODOO U.



**KILIFI COUNTY ASSEMBLY
CAR LOAN AND MORTGAGE SCHEME FUND
CONSOLIDATED ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
30TH JUNE, 2019**

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

The County Assembly of Kilifi Mortgage and Car Loan Fund
Reports and Financial Statements
For the year ended 30th June, 2019

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The County Assembly of Kilifi Mortgage and Car Loan Fund
 Reports and Financial Statements
 For the year ended 30th June, 2019

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kilifi Mortgage and Car Loan Revolving Scheme Fund is constituted as per the constitution of Kenya it's headed by the Speaker, who is responsible for the general policy and strategic direction of the County Assembly.

b) Key Management

The Fund's day-to-day management is under the following key organs:

S/NO	NAME	DESIGNATION
1	Michael Ngala	Clerk
2	Silas Mulewa	Deputy Clerk
3	Patience Pili	Director Legal Services
4	Charles Mapinga	Director Finance
5	Harrison Chizambo	Director Human Resource

c) Fiduciary Management

The key management personnel who held office during the year ended June 30, 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Accounting Officer	Michael Ngala
2	Committee Secretary	Lilian Ngala

d) Fiduciary Oversight Arrangements

- The County Assembly has established the Internal Audit Department headed by the Principal Internal Auditor. The main responsibility of the department is to advise the management on the risks involving lose Assembly resources. The department periodically produces reports to the management on the operations of the assembly and recommendations on how to minimise risk.
- The county assembly has finalised the recruitment of the audit committee and its due to start operating from 1st Nov 2019
- The assembly has the Budget & Appropriation committee and the County Public Investment and Accounts Committee. The Budget & appropriation Committee mainly looks at the County Government budget and how the funds are appropriated to different departments. It's the role of the Committee to ensure the budget is prepared adheres to the laws applicable and ensuring efficient and effective use of resources.
- The County Public Investment and Accounts Committee mainly looks at the Audit reports from the Auditor General and recommends action to be taken by the management.

c) Entity Headquarters

County Assembly Headquarter
P.O. Box 332-80200
Malindi, KENYA.

f) Entity Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank of Kenya
P.O.Box 14 -80109
Mtwapa, Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

**The County Assembly of Kilifi Mortgage and Car Loan Fund
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For the year ended 30th June, 2019**

2. FORWARD NOTE BY THE CLERK OF THE COUNTY ASSEMBLY

The Kilifi County Assembly Car and Mortgage Loan fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/ADM/CIR/1/13/ Vol III (128) of 17th December 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements

For proper management of the fund, the Kilifi County Assembly Car and Mortgage Loan fund adopted Public Finance Management Regulations 2014 to guide operationalization of the Fund.

The Fund started its operations in 2014 following the gazettelement of the Kilifi County Assembly Car and Mortgage Loan fund regulation 2014. It received an initial amount of Ksh. 270M

The Salaries and Remuneration Commission in its circular ref SRC/ADM/CIR/1/13 Vol.III (128) dated 17 December 2014 provided guidelines for access of Car Loan and Mortgage benefits by all state and public officers. Arising there from the County Assembly Committee Members approved and adopted the Staff Loans Policy Paper on 27th March 2014. On 20th August 2014 the Fund Committee Members approved and adopted the guidelines on internal administration of the Car Loan Scheme Funds.

Conclusion

FY 2018/2019 is a good year in general. Good progress is made and the momentum has been created to enable Kilifi County Assembly Car and Mortgage Loan fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in this year.

I take this opportunity to thank the Hon Speaker and Members of County Assembly for their support. I would also want to thank my colleagues, All Heads in charge of other departments who we have worked hand in hand to ensure that Kilifi County Assembly achieves its mission. I thank all staff in the entire County for their continued commitment and dedication through hard work in delivering services to the people of Kilifi County



Fund Administrator

3. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Kilifi County Assembly Car and Mortgage Loan fund Financial Statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

In the year ended 30th June, 2018, the fund had projected revenues, consisting of Transfers from Government and interest receivable. Due to cash flow challenges, the fund couldn't realise the budget.

b) Loans

During the financial year 2018/2019, the fund disbursed K.shs. 46,540,228.00 additional loans.

c) Cash flows

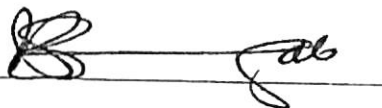
In the FY 2018/2019, the cash and cash equivalents increased from K.shs 243,705 as at 30th June 2018 to K.shs 5,023,564 as at 30th June 2019.

d) Conclusion

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

I take this opportunity to thank the Fund Committee Members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kilifi County Assembly Car and Mortgage Loan fund achieves its mission.

Signed: _____



Fund Administrator

4. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The County Assembly of Kilifi Mortgage and Car Loan Fund
Reports and Financial Statements
For the year ended 30th June, 2019

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Kilifi County Gazette Supplementary No. 16, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

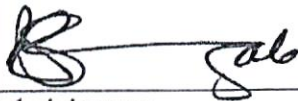
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) 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 and Taita Taveta County Gazette Supplementary No. 16. 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 on 7/09/ 2019 and signed on its behalf by:

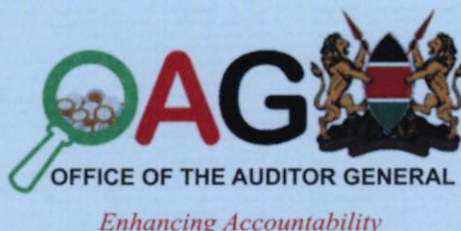


Fund Administrator

**5. REPORT OF THE INDEPENDENT AUDITOR OF KILIFI COUNTY ASSEMBLY
CAR AND MORTGAGE LOAN FUND FINANCIAL STATEMENTS**

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 KILIFI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kilifi County Assembly Car Loan and Mortgage Scheme Fund set out on pages 8 to 25, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2019 provided for audit review contained the following anomalies:

- i. The Chairman's Report, Corporate Governance Statement, Corporate Social Responsibility Statement/ Sustainability Reporting are omitted from these financial statements, contrary to the template issued by the Public Sector Accounting Standards Board which has a provision for the same.
- ii. The table of contents includes 'Progress on Follow up of Auditor Recommendations' which is not attached to the financial statements.

Consequently, the financial statements presented for audit for the year ended 30 June, 2019 do not comply with International Public Sector Accounting Standard No.1 as prescribed by the Public Sector Accounting Standards Board.

2. Statement of Changes in Net Assets - Accumulated Surplus

The statement of changes in net assets for the year ended 30 June, 2019 reflects accumulated deficit of Kshs.89,806,852. However, this varies with the recalculated surplus of Kshs.21,543,679 as summarized below. The variance of Kshs.111,350,531 has not been explained or reconciled. In addition, the statement of net assets reflects accumulated deficit of Kshs.92,510,896 as at 1 July, 2017 which varies with the recalculated accumulated surplus of Kshs.14,215,381 for four years to June, 2017 as summarized below:

Year	Surplus (Kshs.)
2013/2014	587,269
2014/2015	5,765,260
2015/2016	3,931,426
2016/2017	3,931,426
Total as at 30 June, 2017	14,215,381
2017/2018	2,704,044
2018/2019	4,624,254
Total as at 30 June, 2019	21,543,679

The resulting variance of Kshs.106,726,277 between the two balances has not been explained or reconciled.

Consequently, the accuracy, validity and completeness of accumulated deficit of Kshs.89,806,852 as at 30 June, 2019 could not be confirmed.

3. Interest Income

The statement of financial performance for the year ended 30 June, 2019 reflects interest income of Kshs.6,928,394. However, as previously reported, beneficiaries' loan ledgers and payroll deduction remittances to support the interest amount were not provided for audit review.

Consequently, the accuracy, validity and completeness of interest income of Kshs.6,928,394 for the year ended 30 June, 2019 could not be confirmed.

4. Unsupported Administrative Expenses

The statement of financial performance for the year ended 30 June, 2019 reflects administrative expenses of Kshs.2,296,850 in respect of staff costs as disclosed in Note 3 to the financial statements. However, the expenditure schedule and payroll in support of this amount were not provided for audit review. Further, Board expenses are omitted from these financial statements.

As a result, the validity, accuracy and completeness of administrative expenses of Kshs.2,296,850 and the reported surplus of Kshs.4,624,254 for the year ended 30 June, 2019 could not be ascertained.

5. Cash and Cash Equivalents

The statement of financial position as at 30 June, 2019 reflects a cash and cash equivalents balance of Kshs.5,023,564. However, and as previously reported, the bank reconciliation statement was not provided in support of the balance. Further, bank statements and the certificate of bank balance as at 30 June, 2019 were not provided for audit review.

In addition, the statement of cash flows for the year ended 30 June, 2019 reflects cash outflows from investing activities of Kshs.54,764,466. However, the figure is at variance with the re-casted figure of Kshs.38,315,990 by Kshs.16,448,476 which has not been explained nor reconciled. Further, the statement shows a cash and cash equivalents balance as at 30 June, 2019 of Kshs.5,023,564 which differs with the recomputed balance of Kshs.21,472,042 by Kshs.16,448,476 as also stated above.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.5,023,564 as at 30 June, 2019 could not be ascertained.

6. Current Portion of Long-Term Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects current portion of long term receivables from exchange transactions balance of Kshs.10,751,789 (2018: Kshs.25,114,317) and which relates to loans and interests owed by Kilifi Members of County Assembly. However, and as previously reported, the beneficiaries' payroll deduction remittances were not provided for audit review.

In the circumstance, the accuracy, validity and completeness of current portion of long-term receivables from exchange transactions balance of Kshs.10,751,789 as at 30 June, 2019 could not be confirmed.

7. Long-Term Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects long term receivables from exchange transactions balance of Kshs.219,337,866 (2018: Kshs.46,475,311) relating to loans advanced to Members of County Assembly. However, the beneficiaries' payroll deduction remittances were not provided for audit review. Further, the statement of financial position as at 30 June, 2019 reflects long-term receivables from exchange transactions opening balance of Kshs.46,475,311 while Note 6 to the financial statements reflects an opening balance of Kshs.172,797,638, resulting to a variance of Kshs.126,322,327 which has not been explained or reconciled.

Consequently, the accuracy, validity and completeness of long-term receivables from exchange transactions balance of Kshs.219,337,866 as at 30 June, 2019 could not be ascertained.

8. Proceeds from Loan Principal Repayments

The statement of cash flows for the year ended 30 June, 2019 reflects proceeds from loan principal repayments of Kshs.8,224,238. However, the loan movement schedule

provided in support of the balance does not show the dates the loans were advanced. Further, payroll deduction remittances were not provided for audit review.

Consequently, the accuracy and completeness of proceeds from loan principal repayments of Kshs.8,224,238 for the year ended 30 June, 2019 could not be ascertained.

9. Loan Disbursements Paid Out

The statement of cash flows for the year ended 30 June, 2019 reflects loans disbursements paid out of Kshs.46,540,228. However, the schedule to show names of borrowers, amounts paid out to each borrower and dates the loans were paid out was not provided in support of the balance.

Consequently, the accuracy and completeness of loan disbursements paid out of Kshs.46,540,228 for the year ended 30 June, 2019 could not be ascertained.

10. Failure to Prepare Separate Financial Statements for Mortgage and Car Loan Funds

The Management did not prepare and submit for audit review separate annual reports and financial statements for Kilifi County Assembly Members Car Loan Fund and Kilifi County Assembly Members Mortgage Fund in line with Regulation 15(1)(d) of the Kilifi County Assembly Members Car Loan Scheme Fund, 2014 and Regulation 18(1)(d) of the Kilifi County Assembly Members Mortgage Scheme Fund, 2014 both of which require the Officer administering the Fund to prepare, sign and submit financial statements relating to the Fund to the Auditor-General every financial year.

Further, the Fund Management did not operate separate bank accounts for the two funds but instead treated the two funds as one, contrary to Legal Notice No.1 of 2014 and Legal Notice No.2 of 2014 which established Kilifi County Assembly Members Car Loan Scheme Fund and Kilifi County Assembly Members Mortgage Scheme Fund respectively with separate Loan Management Committees.

The Management was therefore in breach of the Law.

11. Administration of the Fund Agreement

Records and information availed for audit review indicated that a local bank administered the Fund during the year under review. However, the formal agreement between Kilifi County Assembly Service Board and the Bank on the administration of the Fund was not availed for audit review in line with Regulation 7 of Kilifi County Assembly Members Mortgage Scheme Fund, 2014 which allows the County Assembly Service Board to appoint a mortgage institution to administer the Fund on its behalf.

The Management was therefore in breach of the Law.

12. Lack of a Risk Management Framework

During the year under review, the Fund did not develop a risk management strategy which would assist in identifying current and emerging risks and reporting the same to senior

management for appropriate action for robust business operations. This is contrary to Regulation 158 (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer of a public entity to ensure that the County Government entity develops a system of risk management and internal controls that build robust business operations.

Therefore, the Fund lacks a structured process for identifying and minimizing or addressing potential threats to its operations/business and sustainability of services.

The Management was therefore in breach of the Law.

13. Lack of an Internal Audit Function and Audit Committee

During the year under review, the Fund did not have an internal audit function and Audit Committee. This is contrary to Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015 on the role of internal auditors which include among other things review and evaluation of effectiveness of financial and non-financial performance, accountability and state of risk management of the entity. Regulation 167 (1) requires every county government entity to establish an audit committee to support the accounting officer on issues of risk, control, governance and associated assurance.

As such, the Management is in breach of the Law.

14. Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.82,000,000 and Kshs.61,848,465 respectively resulting to under-funding of Kshs.20,151,535 or 25% of the budget. Similarly, the Fund expended Kshs.48,844,368 against an approved budget of Kshs.82,000,000 resulting to under-expenditure of Kshs.33,155,632 or 40% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery to the Members of the County Assembly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management systems and governance as required by Section 7(1)(a) of the Public Audit Act, 2015.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion, section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article

229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Kilifi County Assembly Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

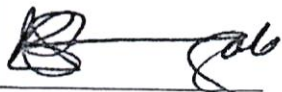
14 October, 2021

The County Assembly of Kilifi Mortgage and Car Loan Fund
 Reports and Financial Statements
 For the year ended 30th June, 2019

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

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Revenue from exchange transactions			
Interest income	2	6,928,394	2,738,754
Total revenue		6,928,394	2,738,754
Expenses			
Fund administration expenses	3	2,296,850	-
General expenses	4	7,290	34,710
Total expenses		2,304,140	34,710
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		4,624,254	2,704,044

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 7th September, 2019 and signed by:



Administrator of the Fund
 CPA, Michael Ngala Bidii



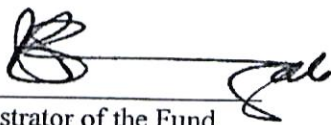
Fund Accountant
 Charles Lwiga Mapinga


The County Assembly of Kilifi Mortgage and Car Loan Fund
 Reports and Financial Statements
 For the year ended 30th June, 2019

5.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	5	5,023,564	243,705
Current portion of long-term receivables	6	10,751,789	25,114,317
Non-current assets			
Long term receivables from exchange transactions	6	219,337,866	46,475,311
Total assets		235,113,219	71,833,333
Liabilities			
Current liabilities			
Non-current liabilities			
Total liabilities		-	-
Net assets		235,113,219	71,833,333
Revolving Fund		324,920,071	69,129,289
Reserves		-	-
Surplus/(deficit) for the period		(89,806,852)	2,704,044
Total net assets and liabilities		235,113,219	71,833,333

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 7th September, 2019 and signed by:


 Administrator of the Fund
 CPA, Michael Bidii Ngala

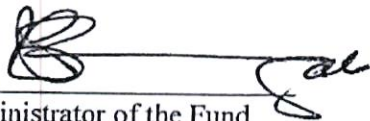

 Fund Accountant
 Charles Lwiga Mapinga

The County Assembly of Kilifi Mortgage and Car Loan Fund
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 For the year ended 30th June, 2019

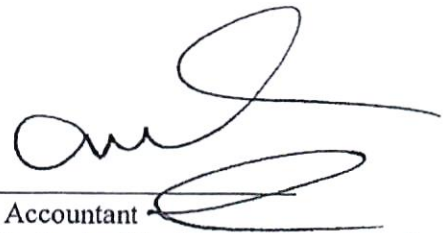
5.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	270,000,000	-	(92,510,896)	177,489,104
Surplus/(deficit) for the period	-	-	2,704,044	2,704,044
Funds received during the year		-	-	-
Revaluation gain	-		-	-
Balance as at 30 June 2018	270,000,000	-	(89,806,852)	180,193,148
Balance as at 1 July 2018	270,000,000		-89,806,852	180,193,148
Surplus/(deficit) for the period	-			-
Funds received during the year	54,920,071			54,920,071
Revaluation gain	-			-
Balance as at 30 June 2019	324,920,071	-	(89,806,852)	235,113,219

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 7th November, 2019 and signed by:



Administrator of the Fund
 CPA, Michael Bidii Ngala



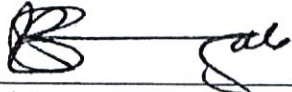
Fund Accountant
 Charles Lwiga Mapinga

The County Assembly of Kilifi Mortgage and Car Loan Fund
 Reports and Financial Statements
 For the year ended 30th June, 2019

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

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Cash flows from operating activities			
Receipts			
Interest received	2	6,928,394	2,738,754
Total Receipts		6,928,394	2,738,754
Payments			
Fund administration expenses	3	2,296,850	-
General expenses	4	7,290	34,710
Total Payments		2,304,140	34,710
Net cash flows from operating activities		4,624,254	2,704,044
Cash flows from investing activities			
Proceeds from loan principal repayments		8,224,238	37,874,805
Loan disbursements paid out		(46,540,228)	(82,085,144)
Net cash flows used in investing activities		(54,764,466)	(44,210,339)
Cash flows from financing activities			
Proceeds from revolving fund receipts	1	54,920,071	-
Net cash flows used in financing activities		54,920,071	0
Net increase/(decrease) in cash and cash equivalents		4,779,859	(41,506,295)
Cash and cash equivalents at 1 JULY		243,705	41,750,000
Cash and cash equivalents at 30 JUNE		5,023,564	243,705

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 7th November, 2019 and signed by:



Administrator of the Fund
 CPA, Michael Bidii Ngala



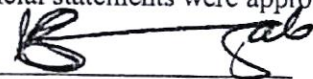
Fund Accountant
 Charles Lwiga Mapinga

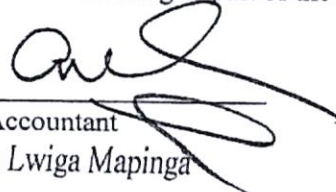
The County Assembly of Kiim Mortgage and Car Loan Fund
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5.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	0%
Transfers from County Govt.	75,000,000		75,000,000	54,920,071	20,079,929	73%
Interest income	7,000,000		7,000,000	6,928,394	71,606	99%
Other income				-	-	0%
Total income	82,000,000	-	82,000,000	61,848,465	20,151,535	75%
Expenses						
Fund administration expenses	1,500,000		1,500,000	2,296,850	(796,850)	153%
General expenses	10,000		10,000	7,290	2,710	73%
Finance cost	-		-	-	-	0%
Loans Advanced	80,490,000		80,490,000	46,540,228	33,949,772	58%
Total expenditure	82,000,000	-	82,000,000	48,844,368	33,155,632	60%
Surplus for the period	-	-	-	13,004,097	(13,004,097)	0%

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 7th September, 2019 and signed by:


 Administrator of the Fund
 CPA, Michael Bidii Ngala


 Fund Accountant
 Charles Lwiga Mapinga

5.6. 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 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2019</p> <p>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.</p>

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

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

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 30th 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 - 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 an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or 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 recognized as well as through the effective interest method amortization process.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. 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.

12. Related parties

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

13. 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.

14. Comparative figures

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

15. Events after the reporting period

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

16. Currency

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

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6. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – Treasury	54,920,071	-
Transfers from County Govt. – Mortgage Account	-	-
Total	54,920,071	-

2. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans Car loans	6,928,394	2,738,754
Interest Accrued from Car Loans	-	-
Total interest income	6,928,394	2,738,754

3. Fund administration expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Staff costs (Note 7)	2,296,850	-
Loan processing costs	-	-
Professional services costs	-	-
Total	2,296,850	-

Staff costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	2,296,850	-
Total	2,296,850	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. 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	7,290	34,710
Total	7,290	34,710

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5. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	5,023,564	243,705
Others	-	-
Total cash and cash equivalents	5,023,564	243,705

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	FY2018/2019	FY2017/2018
	KShs	KShs
a) Fixed deposits account		
Kenya Commercial bank	-	-
Equity Bank, etc	-	-
Sub- total	-	-
b) On - call deposits		
Kenya Commercial bank	-	-
Equity Bank - etc	-	-
Sub- total	-	-
c) Current account		
Family Bank	5,023,564	243,705
Bank B	-	-
Sub- total	5,023,564	243,705
d) Others(specify)		
Cash in transit	-	-
Cash in hand	-	-
M Pesa	-	-
Sub- total	-	-
Grand total	5,023,564	243,705

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6. Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current portion of long-term receivables from exchange transactions	10,751,789	25,114,317
Other exchange debtors-Treasury	-	-
Receivable from Mortgage	-	-
Receivable from County Assembly	-	-
Less: impairment allowance	-	-
Total Current receivables	10,751,789	25,114,317
Non-Current receivables		
Long term receivables from exchange transactions	219,337,866	172,797,638
Total Non-current receivables	219,337,866	172,797,638
Total receivables from exchange transactions	230,089,655	197,911,956

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

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