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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NYERI COUNTY ENTERPRISE DEVELOPMENT FUND

FOR THE YEAR ENDED 30 JUNE, 2019

Tabled by: Senate Minority Whip
Date: 4th November, 2021
Committee:
Clerk at the Table: Kavate Musyoka

OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB

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NYERI COUNTY ENTERPRISE DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2019

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

Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Nyeri County Enterprises Development Fund is established by and derives its authority and accountability from Nyeri County Enterprises Development Act 2018. The Fund is wholly owned by the County Government of Nyeri and is domiciled in Kenya.

The fund's objective is to:

a) Provide affordable loans to applicants stipulated under section 20 operating in Nyeri county;
b) support capacity building of the beneficiaries;
c) provide training, mentorship and provision of business development services to beneficiaries;
d) promote enterprise development in Nyeri County;
e) support micro and small enterprises to develop linkages with large enterprises
f) promote marketing of products and services for the enterprises;
g) support technology acquisition, adoption and utilization by Micro and small enterprises and Cooperatives Societies; and
h) Promote gainful employment through enterprise development.

(b) Principal Activities

The Fund's principal activity is to provide affordable loans to applicants operating in Nyeri County as stipulated under the Nyeri County Enterprise development Fund Act.

(c) Key Management

Ref	Name	Position
1.	John Githinji Nduru	Board Chairperson/ Cooperative representative
2.	Eunice Wangari Mwathi	Board Vice-Chairperson / Youth Rep
3.	Anne Wangui Githinji	Fund Administrator
4.	Lydiah Wanjiru Mwangi	PWLD Rep
5.	Jackson Githigi Kanyingi	Nyeri Business Community Rep
6.	Ibrahim Adan	Chief Officer Trade, Tourism and Co-operative Development
7.	Harrison Ngari	Representative of the Director of Trade

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Officer Trade, Tourism and Cooperative Development	Ibrahim Adan
2.	Fund Administrator	Anne Wangui Githinji
3.	Nyeri Business Community Rep	Jackson Githigi Kanyingi
4.	Youth Rep	Eunice Wangari Mwathi

(Include all positions regarded as top management in your organisation).

(e) Fiduciary Oversight Arrangements

The above were the account signatories for the period ended 30th June 2019. Their role was oversight of the fund operations and expenditure. They also support all fund investments and activities in the year.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Nyeri County Enterprise Development Fund Board,
P.O. Box 1112-10100
Nyeri, KENYA
Opposite Nyeri Golf Club along Kamakwa Road

(g) Entity Contacts

E-mail: nyericountyedf@gmail.com
Website: www.nyeri.go.ke

(h) Entity Bankers

Cooperative Bank Nyeri
Nyeri Branch
P.O. Box 192-10100
Nyeri, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD MEMBERS

Name	Position
1. John Githinji Nduru	Chairperson / Cooperative representative
2. Eunice Wangari Mwathi	Vice-Chairperson / Youth Rep
3. Anne Wangui Githinji	Fund Administrator
4. Lydiah Wanjiru Mwangi	PWLD Rep
5. Jackson Githigi Kanyingi	Nyeri Business Community Rep
6. Ibrahim Adan	Chief Officer Trade, Tourism and Cooperative Development
7. Harrison Ngari	Representative of the Director Trade

MANAGEMENT TEAM

Name of the Staff	Responsibility
Ibrahim Adan	Chief Officer Trade, Tourism and Cooperative Development
Monicah Wachira	Secretariat/ Principal Industrialization officer
Anne .W. Githinji	Fund Administrator

CHAIRMAN'S STATEMENT

It is with great pleasure on behalf of the Board Members to present Nyeri County Enterprise Development Fund year 2018/2019 financial statements.

The Fund received Kshs. 30 Million as its seed capital late in the financial year 2017/2018. The Board has received support from the County Government of Nyeri in rolling out the fund and have made significant milestones towards implementation of the fund. We have however faced a few challenges but the successes exceed all the challenges. We have continuously learnt from the challenges and our strategy is well informed.

The first significant achievement in FY 2018/19 the sensitization activity that was conducted at three levels: County Assembly Trade Committee Members on the rollout plan, which received support. The sub county and ward administrators also underwent a training so that they can help the applicants fill in the forms and handle questions. The next level was to the General public which were held in all eight sub-counties and campaigns about the Nyeri County Enterprise Development through notices and in social media. The participants were educated on the ACT, the purpose of the fund and the objectives of the EDF, how to fill the application form and the required documents.

The Board received 143 applications that are currently under review. The Board have advised on procurement of a financial institution to partner for disbursement and management of the fund.
Among the successes the Board invested the Funds in a call deposit account that earned Kshs. 973,000. The fund has also continually improved the loan guidelines which shall be used in appraising the loans and in general administration of the fund.
Key challenge was most applicants did not attend sensitization forums and therefore poorly filled in applications. We are however grateful to the secretariat that have relentlessly called the applicants and it's a great milestone to where we are.

The Board looks forward to disbursing the loans out of the entire kitty of the fund and maintaining a healthy portfolio book. We are positive the fund will grow to compete with tier one financial institutions. This fund will promote the micro and small enterprises in Nyeri County.
During the year, the Cooperative representative was appointed the Chairperson of the Board and Director Trade representative was appointed. The board members are committed to continually serve the citizenry of Nyeri in this Fund.

Our appreciation goes to the Management team and the secretariat for their immense support and selfless service that has seen this fund to where it is now. May the almighty abundantly bless you.

Board Chairperson **Signature……………………………**

FUND ADMINISTRATOR'S REPORT

I am honoured to present highlights for the financial year 2018/2019. The year presented significant challenges majorly attributed on how to rollout the Fund.

The fund rollout kicked off with sensitization and training for the key stakeholders in the implementation. The county assembly committee for trade tourism and co-operative development was taken through the act, regulations, the workout plan, the process of loan application, loan appraisal and vetting and thereafter approval. The next group to be sensitized were the administrators at the ward and sub-county. They were a key pillar in implementing the fund as they had a role in receiving the loan applications and submit them to the secretariat. The administrators were also sensitized on the processes, the laws and regulations so that they could handle any questions.

The sensitization of the general public was conducted at the sub-county level from 25th July to 3rd August. Call for application followed from 8th August to 9th September 2018. Campaigns through various channels were employed like advertising in the County Government's Website and official social media pages inviting all interested individuals to submit their applications.

A total of 143 applications were received, appraisal, verification and vetting was then carried out by the secretariat. The secretariat consists of technical people with experience and skills in loan analysis, appraisal and monitoring. 81 applications met the minimum requirements and qualified for business visits.

The Business Visits were conducted between 22nd &26th October 2018. The main purpose of the business visit was to verify that the applicants had operational businesses or they were engaging in the activities that they had indicated in their applications. 66 applications were recommended for the final appraisal and documents perfection. At this point the Board made a decision to involve a financial institution to partner with in disbursement and management of the loan. Procurement of a financial institution started in April 2019 and its ongoing thus the delay in disbursement of the loans.

The Board however approved one loan to be a pilot case for the process and a disbursement of Kshs. 500,000 was disbursed in June 2019. The Board also made a decision to approve to put the fund in an interest earning account and we earned Kshs. 973,000. The expenses for the year were Kshs. 370,000. The balance in the fund account as at 30th June 2019 was Kshs. 30,077,155.25

In the coming year, the board is committed to ensuring that the entire amount is disbursed to qualifying enterprises within Nyeri County as it is the purpose of the fund. More products offering will be launched, sensitization and induction exercises will be conducted throughout the county to ensure the target groups are aware of the availability of the fund, requirements, process and procedure of applying for the loans as well as prudent management of the loan upon disbursement.

Administrator of the Fund

Name......Anne Githinji...... Signature...........................

CORPORATE GOVERNANCE STATEMENT

The Board held three meetings in the financial year and all meetings had a quorum. The secretariat has young technical people to ensure succession. The Board charter has not been developed though the activities undertaken by the secretariat are included in the department's charter.
The nominations procedure was issued by the County Executive Committee Member for Trade as follows:

a. Representative of the Business Community
   i. Two groups/associations with major representation of the Business Community
   ii. Each groups/associations to nominate two people of the opposite gender
   iii. The nominees should be residents of Nyeri County
   iv. The nominees should not be from the same Sub-County to ensure regional balance
   v. One person will then be appointed to represent this particular category.

b. Youth
   i. Two groups/associations with major representation of the youth in creative industry
   ii. Each groups/associations to nominate two people of the opposite gender
   iii. The nominees should be residents of Nyeri County
   iv. The nominees should not be from the same Sub-County to ensure regional balance
   v. One person will then be appointed to represent this particular category

c. COOPERATIVE
   i. Two cooperatives with major of membership from Nyeri County
   ii. Each cooperative to nominate two people of the opposite gender
   iii. The nominees should be residents of Nyeri County
   iv. The nominees should not be from the same Sub-County to ensure regional balance
   v. One person will then be appointed to represent this particular category

d. Persons living with disability (PLWD)
   i. National Council for persons living with disability has been identified as the most representative association for PLWD involved in the county.
   ii. Submit names of two Nominees who should be residents of Nyeri County
   iii. The nominees should be running a micro and small enterprise development
   iv. The nominees should not be from the same Sub-County to ensure regional balance
   v. Only one will then be appointed from the two nominees.

For a person to be eligible for appointment as a member the following criteria should be met -

(a) is a Kenyan citizen;

(b) holds a minimum of a diploma from a recognized institution in Kenya;

(c) has operated a business which is a micro and small enterprise in the County for a period of three years;

(d) Satisfies the requirements of Chapter Six of the Constitution.

The members of the Board may be removed from office for-

(a) gross violation of the Constitution or any other law;

(b) gross misconduct, whether in the performance of the member's functions or otherwise;

(c) Physical or mental incapacity to perform the functions of office; or

(d) Incompetence or neglect of duty.

The Nyeri County Enterprise Development Fund further provides that the County Executive Member responsible for Trade may, upon the recommendation of the Board, revoke the appointment of a member of the Board on any of the above mentioned grounds.

The following reasons may result in the ceasing to be a member of the Board: -

(a) resignation in writing, to the County Executive Member for the time being responsible for Trade;

(b) conviction of a criminal offence resulting in a sentence to a term of imprisonment of not less than six months;

(c) being declared bankrupt;

(d)being unable to perform the functions of his or her office by reason of mental or physical incapacity; or

(e) Dies.

Where a vacancy occurs in the membership of the Board, the County Executive Member for the time being responsible for Trade shall, if the vacancy relates to non-ex- officio members appoint a new member in accordance with the provisions of this Act.

MANAGEMENT DISCUSSION AND ANALYSIS

In June 2018 the Nyeri county Enterprise development fund received Kshs. 30,000,000.00 from the Nyeri Government County treasury. 3% of the amount was meant to be for administrative expenditures. This amounted to Ksh.900, 000.00.

The balance of Ksh. 29,100,000.00 was deposited in a call account in Cooperative bank in the month of August 2018. This earned an interest on deposit of ksh. 973,670.25 as at May 2019.A loan of Ksh. 500,000 was disbursed in June 2019. The current bank balance amounts to Ksh. 30,077,155.25.

The fund has no outstanding debts to any institution or individual. However, one loan worth Kshs. 500,000 was lent out and is set to be recovered in the next two years.

The Fund has observed all statutory provisions and envisions to continue being compliant. The risks likely to face the Fund are default risk which has been mitigated by having all applicants provide security for their loans. Insurance against death and permanent disability will be undertaken for all borrowers.

REPORT OF THE BOARD

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the *entity's* affairs.

Principal activities

The principal activities of the entity are to provide affordable loans to applicants stipulated under the Nyeri county Enterprise development Fund Act, operating in Nyeri County.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 2-6.

Directors

The members of the Board of Directors who served during the year are shown on page v. During the year 2018-2019 no director retired/ resigned and one was board member was appointed with effect from 14^{th} April 2019.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Or the entity remitted Kshs - (FY 2018 Kshs -. The entity did not make any surplus during the year (FY 2018 Nil) and hence no remittance to the Consolidated Fund. [Entities to edit accordingly]

Auditors

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board
The *Nyeri County Enterprise Development Fund.*

Fund Secretary
Nyeri County
Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated))* require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) 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 entity; (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 *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under)* . The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2017, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYERI COUNTY ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nyeri County Enterprise Development Fund set out on pages 1 to 54, 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, the financial statements present fairly, in all material respects, the financial position of Nyeri County Enterprise Development 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 Nyeri County Enterprises Development Act, 2018 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nyeri County Enterprise Development 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Award of a Contract for Disbursement of the Loans

During the year under review, the Fund awarded a contract for disbursing the Enterprise Development Fund loans to Kenya Commercial Bank. This was done through tender number CGN/TTC/251/2018-2019. However, a review of the evaluation report revealed that one of the criteria for evaluation was a bank where the Government of Kenya has ownership. Out of the banks that tendered for the disbursement of the loans, only one bank had Government shares thereby disadvantaging the other banks who had shown interest in the tender contrary to Section 58(2) of the Public Procurement and Asset Disposal Act, 2015.

Consequently, the Fund was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Nyeri County Enterprise Development Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 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 Nyeri County Enterprise Development Fund 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 sustaining 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 Nyeri County Enterprise Development 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.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

25 October, 2021

APPROVAL OF THE FINANCIAL STATEMENTS

The *entity's* financial statements were approved by the Board on 25. 9. 2019 and signed on its behalf by:

Board chairman

Board Member- Fund Administrator

Board Member- Chief Officer

REPORT OF THE INDEPENDENT AUDITORS ON THE *ENTITY (specify entity name)*

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	20170-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government			30,000,00-
Public contributions and donations	7		-
Fines, penalties and levies	8		-
Erroneous Deposits			86,925.00
Transfers from other governments – gifts and service-in-kind	9		-
		-	**30,086,925.00**
Revenue from exchange transactions			
Rendering of services	10	-	-
Sale of water and electricity	11	-	-
Rental revenue from facilities and equipment	12	-	-
Finance income - external investments(Call Deposit)	13	973,610.25	-
Agency fees		-	-
Other income	14	-	-
Total revenue		**973,610.25**	-
Expenses			
Use of goods and services	15	-	-
Employee costs	16	-	-
Remuneration of directors	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	-	-
Contracted services	20	-	-
Grants and subsidies	21	-	-
General expenses	22	390,750.00	-
Finance costs (bank Charges)	23	5,705.00	-
Total expenses		**396,455.00**	-
Other gains/(losses)			
Gain on sale of assets	24	-	-
Gain on foreign exchange transactions		-	-
Unrealized gain on fair value of investments	25	-	-
Impairment loss	26	(-)	(-)
Surplus before tax		**(577,155.25)**	**30,086,925.00**
Taxation	27	(-)	(-)

Surplus/(deficit) for the period/year		**(577,155.25)**	**30,086,925.00**
Remission to National Treasury	51	-	-
Net Surplus for the year		**(577,155.25)**	**30,086,925.00)**
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		-	-

The notes set out on pages 1 to 6 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	28	30,077,155.25	30,086,925.00
Receivables from exchange transactions	29	-	-
Receivables from non-exchange transactions	30	-	-
Current portion of long-term receivables from exchange transactions		-	-
Inventories	31	-	-
Investments	32	-	-
		30,077,155.25	30,086,925.00
Non-current assets			
Property, plant and equipment	33	-	-
Investments	32	-	-
Intangible assets	34	-	-
Investment property	35	-	-
Long term receivables from exchange transactions		535,000.00	-
		-	-
Total assets		**30,612,155.25** -	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	36	-	-
Refundable deposits from customers	37	-	86,925.00
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of borrowings	43	-	-
Deferred income	40	-	-
Employee benefit obligation	41	-	-
Payments received in advance		-	-
Taxation	52	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	41	-	-
Non-current provisions	42	-	-
Borrowings	43	-	-
Service concession liability	44	-	-
Deferred tax liabilities	53	-	-

		-	-
Total liabilities		-	-
Net assets		-	-
Reserves		-	-
Accumulated surplus		577,155.25	30,000,000.00
Capital Fund		30,035,000.00	-
Total net assets and liabilities		30,612,155.25	30,086,925.00

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Administrator of the Fund

Name: Anne Githinji

ICPAK Member Number

Date...25.9.2019...

Chief Officer Finance

Name: JOHN NGUGI

Date.....25.9.2019..

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2017	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-	30,000,000.00	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2017	-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2018	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2018	-	-	-	-	-	30,000,000.00	-
At July 1, 2018	-	-	-	-		-	-
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(-)	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted	-	-	-	-	-	-	-

	Ordinary share capital	**Revaluation reserve**	**Fair value adjustment reserve**	**Retained earnings**	**Proposed dividends**	**Capital/ Development Grants/Fund**	**Total**
investments							
Total comprehensive income	-	-	-	-	-	-	-
Capital/Development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	(-)	-
Dividends paid – 2018	-	-	-	-	(-)	(-)	(-)
Interim dividends paid – 2019	-	-	-	(-)	-	-	(-)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2019	-	-	-	-	-	-	-

Note:

1. *For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*

2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.*

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019 Kshs	2017-2018 Kshs
Cash flows from operating activities			
Receipts			
Property taxes		-	-
Refundable deposits		-	86,925.00
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies		-	30,00,000.00
Rendering of services		-	-
Sale of goods		-	-
Finance income(Interest on call deposit)		973,610.25	-
Other income, rentals and agency fees		-	-
Total Receipts		**973,610.25**	**30,086,925.00**
Payments			
Compensation of employees		-	-
Revenue deposits transferred		86,925.00	-
Finance cost		-	-
Rent paid		-	-
Taxation paid		-	-
Other payments		396,455.00	-
Loans issued		500,000.00	-
Total Payments		**983,380.00**	**-**
Net cash flows from operating activities	45	**(9,769.75)**	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(-)	(-)
Proceeds from sale of property, plant and			
Equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		(-)	(-)
Net cash flows used in investing activities		**(-)**	**(-)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Increase in deposits		-	-
Net cash flows used in financing activities		**(-)**	**(-)**
Net increase/(decrease) in cash and cash equivalents			
		-	**(-)**
Cash and cash equivalents at 1 JULY	28	30,086,925.00	-
Cash and cash equivalents at 30 JUNE	28	**30,077,155.25**	**30,086,925.00**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Property taxes	-	-	-	-	(-)
Public contributions and donations	-	(-)	-	-	(-)
Fines, penalties and levies	-	(-)	-	-	(-)
Licenses and permits	-	-	-	-	-
Government grants and subsidies	-	-	-	-	-
Rendering of services	-	(-)	-	-	(-)
Sale of goods	-	-	-	-	(-)
Finance Income	-	973,610.25	-	973,610.25	973,610.25
Gains on disposal, rental income and agency fees	-	-	-	-	(-)
Total income	-	(-)	-	-	(-)
Expenses					
Compensation of employees	-	-	-	-	(-)
Goods and services	-	(-)	-	396,455.00	(-)
Finance cost	-	(-)	-	-	(-)
Rent paid	-	(-)	-	-	-
Taxation paid	-	-	-	-	-
Other payments	-	-	-	-	(-)
Grants and subsidies paid	30,000,000.00	-	-	500,000.00	29,103,545.00
Total expenditure	30,000,000.00	(-)	-	896,455.00	29,103,545.00
Surplus for the period					

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

- Entity is established by and derives its authority and accountability from - Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is -

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note -

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act *(include any other applicable legislation),* and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *(State the impact of the standard to the entity if relevant)*
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *(State the impact of the standard to the entity if relevant)*

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.
Transfers are made to or from investment property only when there is a change in use.

e) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on -. 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. Accordingly, the entity recorded additional appropriations of - on the 2018-2019 budget following the governing body's approval.

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

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

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

Rental income

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

I) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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

i) 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 Labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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.

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Related parties

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

q) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provisions

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

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

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

6 PROPERTY TAXES REVENUE

Description	2018-2019	2017-2018
	KShs	KShs
Actual		
Taxable land and buildings		
Residential	-	-
Commercial	-	-
State	-	-
Penalties	-	-
Sub- total property and taxes	-	-
Income forgone	(-)	(-)
Total property taxes revenue	-	-

(Provide brief explanation for this revenue)

7 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019	2017-2018
	KShs	KShs
The Green Belt Movement	-	-
Other public donations	-	-
Total transfers and sponsorships	-	-
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-

(Provide brief explanation for this revenue)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FINES, PENALTIES AND LEVIES

Description	2018-2019	2017-2018
	KShs	KShs
Fuel levy	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

9 TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Operational grant	-	-
Other grants	-	-
	-	-
Conditional grants		
National housing grant	-	-
National infrastructure grant	-	-
Provincial health grant	-	-
Social services grant	-	-
Basic services subsidy	-	-
Transportation fund (international funding)	-	-
Other organizational grants	-	-
Total government grants and subsidies	-	-

9b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2018-2019 KShs
- Ministry/State Department	-	-	-	-	-
- Ministry	-	-	-	-	-
Total	-	-	-	-	-

(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix -)

10 RENDERING OF SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Waste management (solid waste)	-	-
Waste management (sewerage and sanitation)	-	-
Service fees	-	-
Water quality	-	-
Quality assurance		
Total revenue from the rendering of services	-	-

(Provide brief explanation for this revenue)

11 SALE OF GOODS

Description	2018-2019	2017-2018
	KShs	KShs
Sale of goods		
Sale of electricity	-	-
Sale of water	-	-
Sale of books	-	-
Sale of publications	-	-
Other(include in line with your organisation)		
Total revenue from the sale of goods	-	-

(Provide brief explanation for this revenue)

12 RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Straight-lined operating lease receipts	-	-
Contingent rentals	-	-
Total rentals	-	-

(Provide brief explanation for this revenue)

13 FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits	973,610.25	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	**973,610.25**	-

(Provide brief explanation for this revenue)

14 OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Insurance recoveries	-	-
Bulk infrastructure levies	-	-
Infrastructure improvement fee	-	-
Income from sale of tender	-	-
Services concession income	-	-
Skills development levy	-	-
Income from disposal of assets		
Total other income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

15 USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	-	-
Water	-	-
Security	-	-
Professional services	-	-
Subscriptions	-	-
Total good and services	-	-

16 EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	-	-
Employee related costs - contributions to pensions and medical aids	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Expenditure recharged to capital projects	-	-
Employee costs	-	-

17 REMUNERATION OF BOARD MEMBERS

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	-	-
Directors emoluments	-	-
Other allowances	232,300.00	-
Total director emoluments	-	-

18 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

19 REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Property	-	-
Investment property – earning rentals	-	-
Equipment and machinery	-	-
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Other	-	-
Total repairs and maintenance	-	-

20 CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	-	-

21 GRANTS AND SUBSIDIES

Description	2018-2019	2017-2018
	KShs	KShs
Community development	-	-
Education initiatives and programs	-	-
Social development	-	-
Community trust	-	-
Sporting bodies	-	-
Total grants and subsidies	-	-

22 GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Advertising	-	-
Admin fees	-	-
Audit fees	-	-
Conferences and delegations	-	-
Consulting fees	-	-
Consumables	-	-
Electricity	-	-
Fuel and oil	-	-
Insurance	-	-
Legal expenses	-	-
Licenses and permits	-	-
Chemicals	-	-
Water purification cost	-	-
Postage& Telephone	5,00-	-
Printing and stationery	44,700.00	-
Hire charges	-	-
Rental	-	-
Security costs	-	-
Sewage treatment costs	-	-
Skills development levies	-	-
Inventory scrapping	-	-
Telecommunication	-	-
Board meeting expenses	232,300.00	-
Other general expenses(Data compiling and business visits)	108,750.00	-
Total general expenses	**390,750.00**	-

23 FINANCE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Borrowings (amortized cost)*	-	-
Finance leases (amortized cost)	-	-
Unwinding of discount	-	-
Interest on Bank overdrafts	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

24 GAIN ON SALE OF ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

25 UNREALIZED GAIN ON FAIR VALUE INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

26 IMPAIRMENT LOSS

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total impairment loss	-	-

27 TAXATION

Description	2018-2019	2017-2018
	KShs	KShs
Current income tax charge	-	-
Deferred tax: [Note 53]		
Relating to original and reversal of temporary differences	-	-
Income tax expense reported in the statement of financial performance	-	-

28 CASH AND CASH EQUIVALENTS

Description	2018-2019 KShs	2017-2018 KShs
Current account	30,077,155.25	30,086,925
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Total cash and cash equivalents	30,077,155.25	30,086,925

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

28 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) **Current account**			
Cooperative Bank of Kenya		30,077,155.25	30,086,925.00
Equity Bank, etc.		-	-
Sub- total		**30,077,155.25**	**30,086,925.00**
b) **On - call deposits**			
Kenya Commercial bank		-	-
Equity Bank - etc.		-	-
Sub- total		-	-
c) **Fixed deposits account**			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) **Staff car loan/ mortgage**			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) **Others(specify)**		-	-
Cash in transit		-	-
cash in hand		-	-
M- pesa		-	-
Sub- total		-	-
Grand total		-	-

29 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Service ,water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-
Non-current receivables		
Long term debtors	-	-
Public organizations	-	-
Less: impairment allowance	(-)	(-)
	-	-
Current portion transferred to current receivables	(-)	(-)
Total non-current receivables	-	-
Total receivables	-	-

30 RECEIVABLES FROM NON-EXCHANGE CONTRACTS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Property tax debtors	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	(-)	(-)
Total current receivables	-	-

31 INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

32 INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
a) Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b) Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c) Equity investments (specify)		
Equity/ shares in entity -	-	-
Sub- total	-	-
Grand total	-	-

d) Shareholding in other entities

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

Name of entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

33 PROPERTY, PLANT AND EQUIPMENT

Cost	Land and Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computers Shs	Other Assets (specify) Shs	Plant and equipment Shs	Capital Work in progress Shs	Total Shs
At 1July 2017	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)	-	(-)	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)	-	-	(-)
At 30th June 2018	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	-	-	-	(-)	-	(-)	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)	-	-	(-)
At 30th June 2019	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1July 2017	(-)	(-)	(-)	(-)	(-)	-	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)	-	(-)	(-)
Impairment	(-)	-	-	-	(-)	-	-	(-)
At30 June 2018	-	-	-	-	-	-	-	-
Depreciation	(-)	(-)	(-)	-	(-)	(-)	(-)	(-)
Disposals	-	-	-	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	(-)	-	(-)	-
At 30th June 2019	-	-	-	-	-	-	-	-
Net book values								
At 30th June 2019	-	-	-	-	-	-	-	-
At 30th June2018	-	-	-	-	-	-	-	-
[Include brief description of WIP as a footer]								

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Additions–internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

35 INVESTMENT PROPERTY

Description	2018-2019	2017-2018
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Depreciation	-	-
At end of the year	-	-

36 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	-	-
Payments received in advance	-	-
Employee advances	-	-
Third-party payments	-	-
Other payables	-	-
Total trade and other payables	-	-

37 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2018-2019	2017-2018
	KShs	KShs
Consumer deposits	-	-
Other deposits(Revenue erroneously deposited)	-	89,925.00
Total deposits	-	-

38 CURRENT PROVISIONS

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance b/d (1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
Transfers from non -current provisions	-	-	-	-
Total provisions as at 30.6.2019	-	-	-	-

39 FINANCE LEASE OBLIGATION

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	2017-2018
	KShs	KShs	KShs	KShs
Within current year				
Long term portion of lease payments				
Total provisions	-	-	-	-

40 DEFERRED INCOME

Description	2018-2019	2017-2018
	KShs	KShs
National government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(-)	(-)	(-)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

41 EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2018-2019	2017-2018
	KShs	**KShs**	**KShs**	**KShs**	**KShs**
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

The entity operates a defined benefit scheme for all full-time employees from July 1, 2018 The scheme is based on - percentage of salary of an employee at the time of retirement. During the year, - actuarial valuers were engaged to value the scheme. The liability at the end of the year is as follows:

	2018-2019	2017-2018
	Kshs	Kshs
Valuation at the beginning of the year	-	-
Changes in valuation during the year	-	-
	______	______
Valuation at end of the year	-	-
	=====	=====

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.- per employee per month.

42 NON-CURRENT PROVISIONS

Description	Long service leave	Gratuity	Other Provisions	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	-	-	-	-
Less: Current portion	(-)	(-)	(-)	(-)
Total deferred income	-	-	-	-

(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note 38)

43 BORROWINGS

Description	2018-2019	2017-2018
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

The analyses of both external and domestic borrowings are as follows:

	2018-2019	2017-2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from '- organization'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2018-2019	2017-2018
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

44 SERVICE CONCESSION ARRANGEMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	(-)	(-)
Net carrying amount	=	=
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	=	=

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	KShs	KShs
Surplus for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Contributed assets	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	(-)	(-)
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	-	-

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

46 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity'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 entity 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 entity's financial risk management objectives and policies are detailed below:

(I) Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

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

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

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have 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 entity 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.

46. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) 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 entity'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.

a) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

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:

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

The entity 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.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Total financial assets	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Total financial liabilities	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the entity's statement of comprehensive income 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

46 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
2019			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity'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 entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2018: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2018 – KShs -)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2019				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2018				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) *Financial instruments not measured at fair value (Continued)*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%

47 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity 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.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

i) The National Government;
ii) The Parent Ministry;
iii) -;

47. RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

iv) -;
v) -;
vi) Key management;
vii) Board of directors;

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to -	-	-
Sales of services -	-	-
Total	-	-
b) Grants from the Government		
Grants from National Government	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for - employees	-	-
Payments for goods and services for -	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the CEO	-	-
Compensation to key management	-	-
Total	-	-

48 SEGMENT INFORMATION

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

49 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2018-2019	2017-2018
	Kshs	Kshs
Court case - against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

(Give details)

50 CAPITAL COMMITMENTS

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised for	-	-
Authorised and contracted for	-	-
Total	-	-

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

51 DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Or: the entity remitted Kshs -0 (FY 2018 Kshs -. The entity did not make any surplus during the year (FY 2018 Nil) and hence no remittance to the Consolidated Fund.*[Entities to edit accordingly*].

52 TAXATION

	2018-2019	2017-2018
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 27)	-	-
Under/(over) provision in prior year/s (note 27)	-	-
Income tax paid during the year	(-)	(-)
	______	______
At end of the year	-	-
	=====	=====

[Provide short appropriate explanations as necessary]

53 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2018-2019	2017-2018
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
		______
Net deferred tax liability/(asset)	-	-
	=====	=====
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
		______
Balance at end of the year	-	-
	=====	=====

[In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

54 EVENTS AFTER THE REPORTING PERIOD

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

55 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of -. Its ultimate parent is the Government of Kenya.

56 Currency

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

APPENDIX 1: 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)*
	Late submission of Financial statements	Issue has been resolved and financial statements have been prepared in good time	Fund manager	Resolved	
	Wrong format and presentation of report and financial statements	The Fund manager attended the training on financial statements preparation by the national treasury and is now able to prepare the right format	Fund Manager	Resolved	
	Cash balances including figures meant for County revenue	The amounts have already been transferred to the right account.	Chief officer Finance	Resolved	

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Chairman of the Board

Date..

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of -			
	FY 2018/2019			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	

			-	
			-	
		Total	-	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry

Administrator of the Fund

Name: Anne Githinji

ICPAK Member Number

Date....25.9.2019

Chief Officer Finance

Name: JOHN NGUGI

Date....25.9.2019.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-