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OFFICE OF THE AUDITOR-GENERAL

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RECEIVED
23/08/2018
3.1
REGISTRY
COUNTY ASSEMBLY OF KWALE

20 August 2018

The Fund Administrator,
Kwale County Assembly Members & Staff Loan Scheme Fund,
P.O. Box 241-80403,
KWALE.

PAPERS LAID	
DATE	15/05/2019
TABLED BY	Senate Deputy Mag. Leader
COMMITTEE	CPAC
CLERK AT THE TABLE	Shirley

Handwritten notes:
Rose Fisher
23/08/2018

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2016

Enclosed herewith, please find one set of the audited financial statements for the year ended 30 June 2016 for your Fund duly certified and with the seal of the Auditor-General affixed thereon for your use and retention.

Please make arrangements to print the audited financial statements and submit fifty (50) copies and a soft copy of the same to the National Assembly through your County Assembly Clerk for appropriate action in accordance with Article 229 (8) of the Constitution of Kenya. In addition the Audited Accounts, if possible, should also be uploaded in your website. Kindly send five (5) copies to this Office.

Signature
Stephen K. Karanu
FOR: AUDITOR-GENERAL

RECEIVED
18 FEB 2019
CLERK'S OFFICE

Copy to: The Clerk to the County Assembly of Kwale,
P.O. Box 231-80403,
KWALE.



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

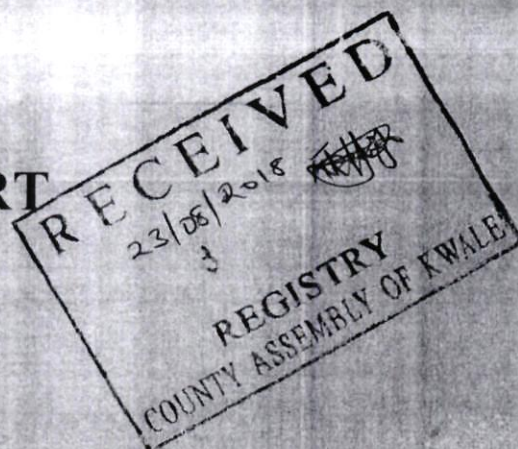
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KWALE COUNTY ASSEMBLY MEMBERS AND
STAFF LOAN SCHEME FUND

FOR FIFTEEN MONTHS PERIOD
ENDING 30 JUNE 2016







THE KWALE COUNTY ASSEMBLY

MEMBERS AND STAFF LOAN SCHEME FUND FINANCIAL STATEMENTS

**FOR FIFTEEN MONTHS ENDING
JUNE 30, 2016**

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

**THE KWALE COUNTY ASSEMBLY
REPORT AND FINANCIAL STATEMENT FOR KWALE COUNTY ASSEMBLY MEMBERS
AND STAFF LOAN SCHEME
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

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**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The County Assembly is constituted as per the constitution of Kenya and is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The Membership of the Assembly consists of the Speaker and Members of County Assembly (MCA) both elected and nominated. In the fifteen months ending 30th June 2016, the County Assembly of Kwale had twenty elected Members and thirteen nominated Members.

The County Assembly of Kwale is operating a car loan and mortgage fund aimed at facilitating finances on loan basis for purchasing a car or house. This is the first set of financial statement to be prepared for the Members and Staff Loan Scheme Fund since its establishment in 2014.

(b) Key Management

The Funds day-to-day management is under the following key organs:

- The Car Loan and Mortgage Committee
- Office of the Clerk
- Office of the Principal Finance Officer

Fiduciary Management

The key management personnel who held office during the year ended 30th June, 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Assembly Clerk	Denis Mutui
2.	Director Finance	Philip Ziro
3.	Fund Manager	Saidi Maganga

(c) Fiduciary Oversight Arrangements

- Internal Audit Department
- Public Accounts and Investment Committee
- Office of the Controller of Budget
- Office of the Auditor General

(a) County Assembly Headquarters

P.O. Box 231 - 80403
Kwale County Headquarters
Kwale – Kinango Road
Kwale

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**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

(a) County Assembly Contacts

Telephone: (254)
E-mail: Countyassemblyofkwale@gmail.com
Website: www.bungekwale.co.ke

(b) Entity Bankers

Family Bank of Kenya
Nkuruma road Branch
Mombasa

(c) Independent Auditors

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

(d) Principal Legal Adviser

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

**THE KWALE COUNTY ASSEMBLY MEMBERS' STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

II. FORWARD BY THE CLERK OF THE ASSEMBLY

The County Assembly of Kwale is operating Members' Staff Loan Scheme Fund for the purpose of enabling members to acquire Cars and purchase or construct Residential Houses. The fund has been in existence and operating under policy guidelines issued by SRC since 2014; however, the Assembly enacted an Act, The Kwale County Assembly Members' Staff Loan Scheme Fund in 2016.

In the period under review, the fund financed Members of the County Assembly (MCAs) to acquire Cars and or Residential Houses. The fund received a budgetary financial allocation of Kshs 107,430,000/= from the exchequer, out of which Kshs 107,430,000 was issued as collateral cash deposit with family bank and 4,000,000 was directly disbursed as car loans to Two members. The fund received an operational interest of Kshs 3,331,041/=

The Kwale County Assembly entered into a Cash Back Operational Loan (CBOL) agreement with Family bank to run the scheme. Under this agreement, the county assembly would fix Cash Deposits as collateral security with family bank. Family bank would issue loans to the members only to the extent of the security issued. Periodically or upon request the bank would issue a certificate of deposit confirming the security deposits. The total amount of cash deposit was Kshs 107,430,000/= The bank issued a total of Kshs. 97,442,929/= and managerial recoveries of Kshs 71,018,395.50 /= by 30th June 2016. This loan portfolio is shown as a disclosure item of notes to the financial statements.

Exceptionally, Two Members of the County Assembly were provided with car Loans directly by the Assembly for a total of Kshs 4,000,000/=. The total recoveries by 30th June 2016 was Kshs 3,156,700/=. This Loan portfolio forms part of the financial statements

FATUMA H. MWALUPA,



Ag. CLERK OF THE COUNTY ASSEMBLY

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**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board

The Clerk of the County Assembly is responsible for the preparation and presentation of the County Assembly's Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for Fifteen Months ending on 30th June, 2016. 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 County Assembly; (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 County Assembly; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Clerk accepts responsibility for the County Assembly's Funds financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Clerk is of the opinion that the County Assembly's Car Loan and Mortgage Fund statements give a true and fair view of the state of the Fund's transactions for Fifteen Months ending 30th June, 2016, and of its financial position as at that date. The Clerk further confirms the completeness of the accounting records maintained for the Fund which have been relied upon in the preparation of these financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Assembly's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Clerk confirms that the County Assembly's Funds financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The County Assembly's Fund's financial statements were approved and signed by the Clerk of the County Assembly on 20/6/2018.



Ag. Clerk of the County Assembly

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REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND FOR FIFTEEN MONTHS PERIOD ENDING 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kwale County Assembly Members and Staff Loan Scheme Fund set out on pages 5 to 18, which comprise the statement of financial position as at 30 June 2016, 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 period 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kwale County Assembly Members and Staff Loan Scheme Fund as at 30 June 2016, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Presentation of Financial Statement

A review of the financial statements presented for audit revealed the following inconsistencies and non-compliant issues;

- i. The table of contents refers to the statement of changes in assets in page 7 instead of the statement of change in net assets.
- ii. The financial statement submitted under key entity information and management did not include details of the car loan and mortgage committee members and the management team.

Report of the Auditor-General on the Financial Statements of Kwale County Assembly Members and Staff Loan Scheme Fund for Fifteen Months Period Ending 30 June 2016

- iii. The financial statement submitted under entity information and management did not include the chairman's statement and corporate governance statement.
- iv. Page 6 on the statement of financial position as at June 2016 reflects notes 6 and 7 as accounts receivable and fund balance brought forward respectively whereas the corresponding notes on page 14 reflect fund balance brought forward and accounts receivables as notes 6 and 7 respectively.
- v. Page 7 on the statement of changes in net assets for fifteen months ending 30 June 2016 was not signed by the acting Clerk of the Assembly.
- vi. The significant accounting policies on page 10 refers on the statement of compliance and basis of preparation as the financial statements having been prepared in accordance with IPSAS cash basis instead of Accrual basis.
- vii. Page 13 of the financial statements do not bear the header Kwale County Assembly Members and Staff Loan Scheme Fund Report and Financial Statement for Fifteen Months Ending 30 June 2016.

Consequently, the financial statements did not comply with the presentation as prescribed by Public Sector Accounting Standards Board.

2.0 Irregular Operation of the Fund

The Fund opened a bank account and started receiving monies in February 2014 and by April 2014, a total of Kshs107,430,000 was transferred to the Fund's bank account. Further, the Fund started issuing loans immediately. However, the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016 was to approve and establish the Fund was approved by the County Assembly in June 2016. In addition, the first set of financial statements were prepared for the period up to June 2016, twenty-eight (28) months after the first financial transaction in February 2014.

Consequently, the Fund operated irregularly before Approval by the County Assembly and the management did not prepare financial statements to submit for audit as per Section 47 of the Public Audit Act, 2015.

3.0 Establishment and Administration of the Fund

The statement of financial position reflects accounts receivable balance of Kshs.2,179,100. Records availed for audit review revealed that the Fund administration for the year consisted of the Fund administrator and other two members appointed by the Clerk. This contravened Section 12 (b) of the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016, which requires that the County Assembly Speaker should also nominate two members one of whom shall be a woman.

Consequently, the Fund operated irregularly and disbursed loans without a properly constituted loans management committee during the year ending 30 June 2016.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kwale County Assembly Members and Staff Loan Scheme Fund in accordance with ISSAI 30 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 adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion and Other Matter sections of my report, I have determined that there were no other Key Audit Matters to report in the year under review.

Other Matter

Budgetary Control and Performance

During the period under review Kwale County Assembly Members and Staff Loan Scheme Fund had a final budget of Kshs. 110,761,041 and spent Kshs. 101,442,929 or 92% resulting to under absorption of Kshs. 9,318,112 or 8% as summarized below;

Expenditure Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Under Absorption (%)
Loans disbursed	107,430,000	101,442,929	5,987,071	6%
Operating costs	3,331,041	-	3,331,041	100%
Totals	110,442,929	101,442,929	9,318,112	8%

The under absorption of Kshs. 9,318,112 or 8% is an indication loans and services to members and staff of Kwale County Assembly were not fully delivered and the objectives of the Fund were not met.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing Kwale County Assembly Members and Staff Loan Scheme Fund ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Kwale County Assembly Members and Staff Loan Scheme Fund financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 International Standards of Supreme Audit Institutions (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.

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

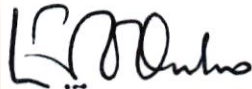
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Kwale County Assembly Members and Staff Loan Scheme Fund 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 cast significant doubt on the Kwale County Assembly Members and Staff Loan Scheme Fund ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to 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 Kwale County Assembly Members and Staff Loan Scheme Fund to be unable to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair presentation.
- Obtain sufficient appropriate audit evidence regarding financial information and business activities of the Kwale County Assembly Members and Staff Loan Scheme 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 July 2018

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**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 31ST JUNE 2016**

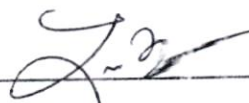
III. STATEMENT OF FINANCIAL PERFORMANCE

	Note	15 Months Ending 30th June 2016
		KShs
REVENUE		
Transfers from the County Treasury/Exchange Releases	1	107,430,000
Other Receipts- Interest income	2	3,331,041
TOTAL REVENUE		110,761,041
EXPENSES		
Operating Costs	3	-
Other Payments		-
TOTAL EXPENSES		-
PROFIT/(LOSS)		110,761,041

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 2/6/ 2018 and signed by:



Fatuma Mwalupa
Ag. Clerk of the Assembly



CPA Zephaniah – No.20407
Director Finance – County Assembly



**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

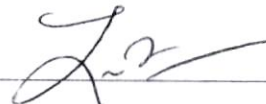
**IV. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

	Note	15 Months Ending 30th June 2016
FINANCIAL ASSETS		Kshs
Cash and Cash Equivalents		
Bank Balances	5	108,581,941
Accounts receivable	6	2,179,100
TOTAL FINANCIAL ASSETS		110,761,041
REPRESENTED BY		
Fund balance b/fwd	7	-
Surplus/Deficit for the year		110,761,041
NET FINANCIAL POSITION		110,761,041

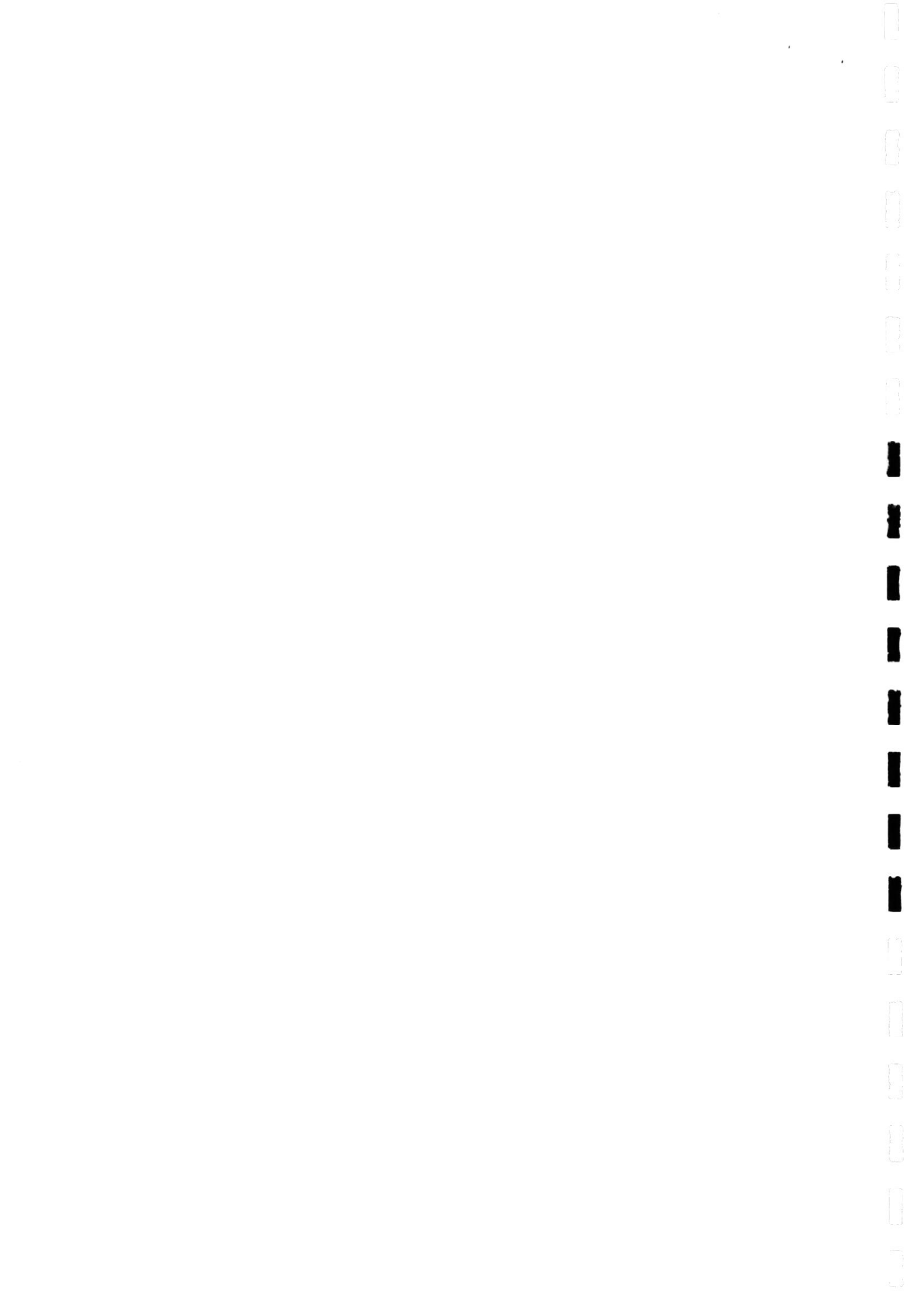
The explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 20/6/2016 and signed by:



Fatuma Mwalupa
Ag. Clerk of the Assembly



CPA Ziro Philip – No. 407
Director Finance – County Assembly



**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

**V. STATEMENT OF CHANGES IN NET ASSETS
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

	Capital replacement reserve	Revaluation reserve	Accumulated Surplus(es)	Total
Balance b/f (1.04.2014)	-	-	-	-
Surplus/(deficit) for the period	-	-	-	110,761,041
Balance as at 30 JUNE 2016				110,761,041

The explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 20/6/2018 and signed by:



Fatuma Mwalupa
Ag. Clerk of the Assembly



CPA Ziro Philip #20407
Director Finance County Assembly



**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

VI. STATEMENT OF CASH FLOW

	Note	15 Months Ending 30th June 2016
		Kshs
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operating income		
Transfers from the County Treasury	1	107,430,000.00
Other Receipts-Interest Income	2	3,331,041.00
Payments for operating expenses		
Operating Costs	3	-
Adjusted for:		
Adjustments during the year		-
Changes in receivables		-2,179,100
Net cash flows from operating activities		108,581,941.
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets		-
Acquisition of Assets		-
Net cash flows from investing activities		-
NET INCREASE IN CASH AND CASH EQUIVALENTS		108,581,941
Cash and cash equivalent at BEGINNING of the year		-
Cash and cash equivalent at END of the year		108,581,941

The explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 20/6/2016 and signed by:



Fatuma Mwalupa
Ag. Clerk of the Assembly



CPA Ziro Philip – No.20407
Director Finance – County Assembly




**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 31ST JUNE 2016**

VII. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS:


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation difference (final budget/c %)
	Kshs a	Kshs b	c=a+b	D	e=c-d	Kshs
RECEIPTS						
Excheque Releases	107,430,000	-	107,430,000	107,430,000	Nil	Nil
Other Income	-	-	3,331,041	3,331,041	Nil	Nil
TOTAL INCOME	107,430,000	-	110,761,041	110,761,041	Nil	Nil
PAYMENTS						
Loans Disbursed	107,430,000		107,430,000	101,442,929	5,987,071	6%
Operating Costs	-	3,331,041	3,331,041	-	3,331,041	100%
TOTAL	107,430,000	3,331,041	110,761,041	101,442,929	9,318,112.00	8%
SURPLUS/ DEFICIT	-					

- 1) The interest Income earned of 3,331,041/= was to be used to defray administration cost. However, no administration costs were incurred during the period.

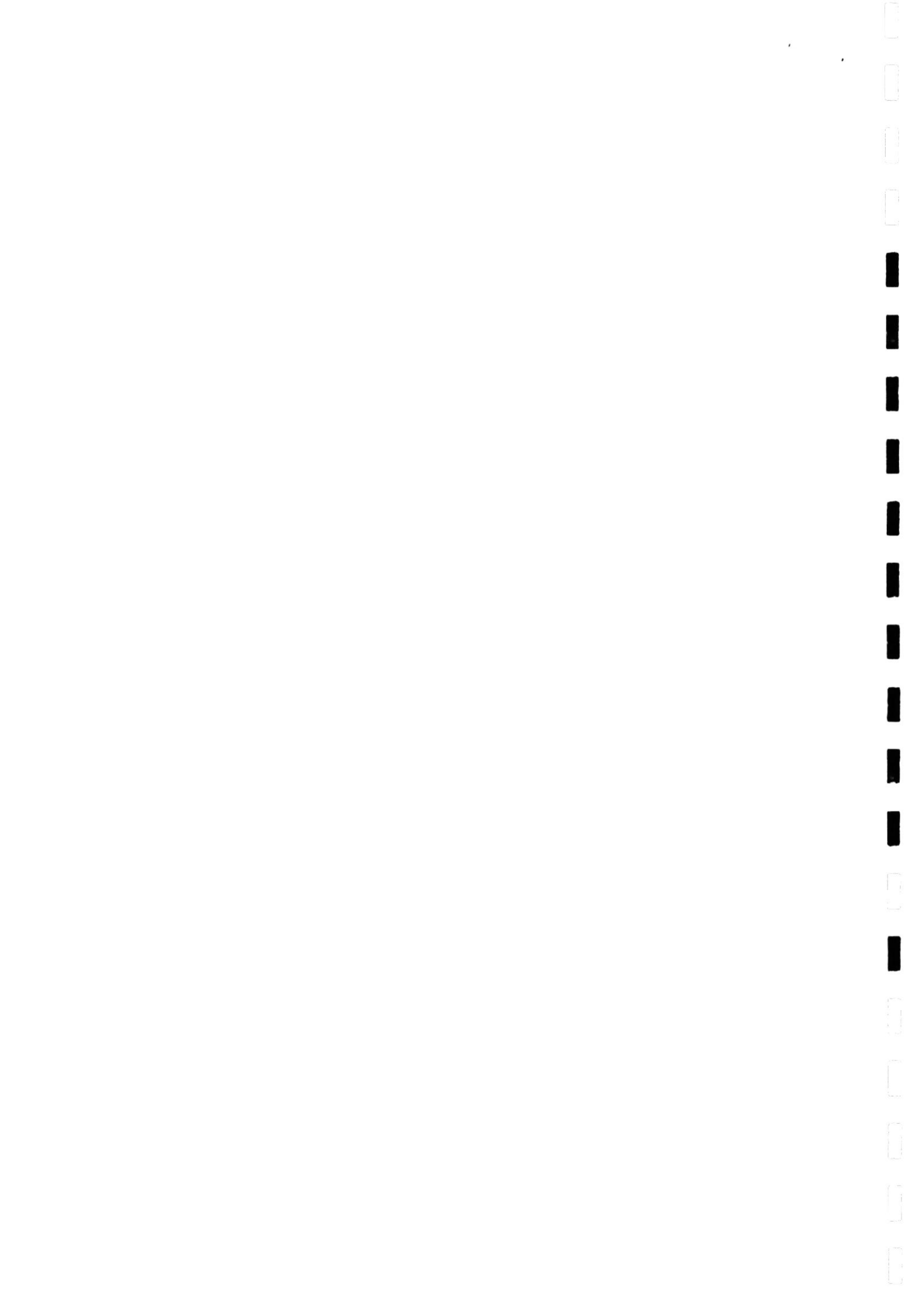
The explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 29/6/2018 and signed by:



Fatuma Mwalupa
Ag. Clerk of the Assembly



CPA Ziro Philip – No.20407
Director Finance – County Assembly



**THE KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND
REPORT AND FINANCIAL STATEMENT
FOR FIFTEEN MONTHS ENDING 30TH JUNE 2016**

VIII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the Fund's financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the Accrual basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted shall be consistently applied in the years to come.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the Kwale County Assembly Members and Staff Loan Scheme Fund. The financial statements encompass the reporting entity as specified in section 164 of PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of Income

The Fund recognises all income when earned from the various sources and not necessarily when received.

b) Recognition of payments

The entity recognises all expenses when incurred and not necessarily paid.

4. 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.

Restriction on cash

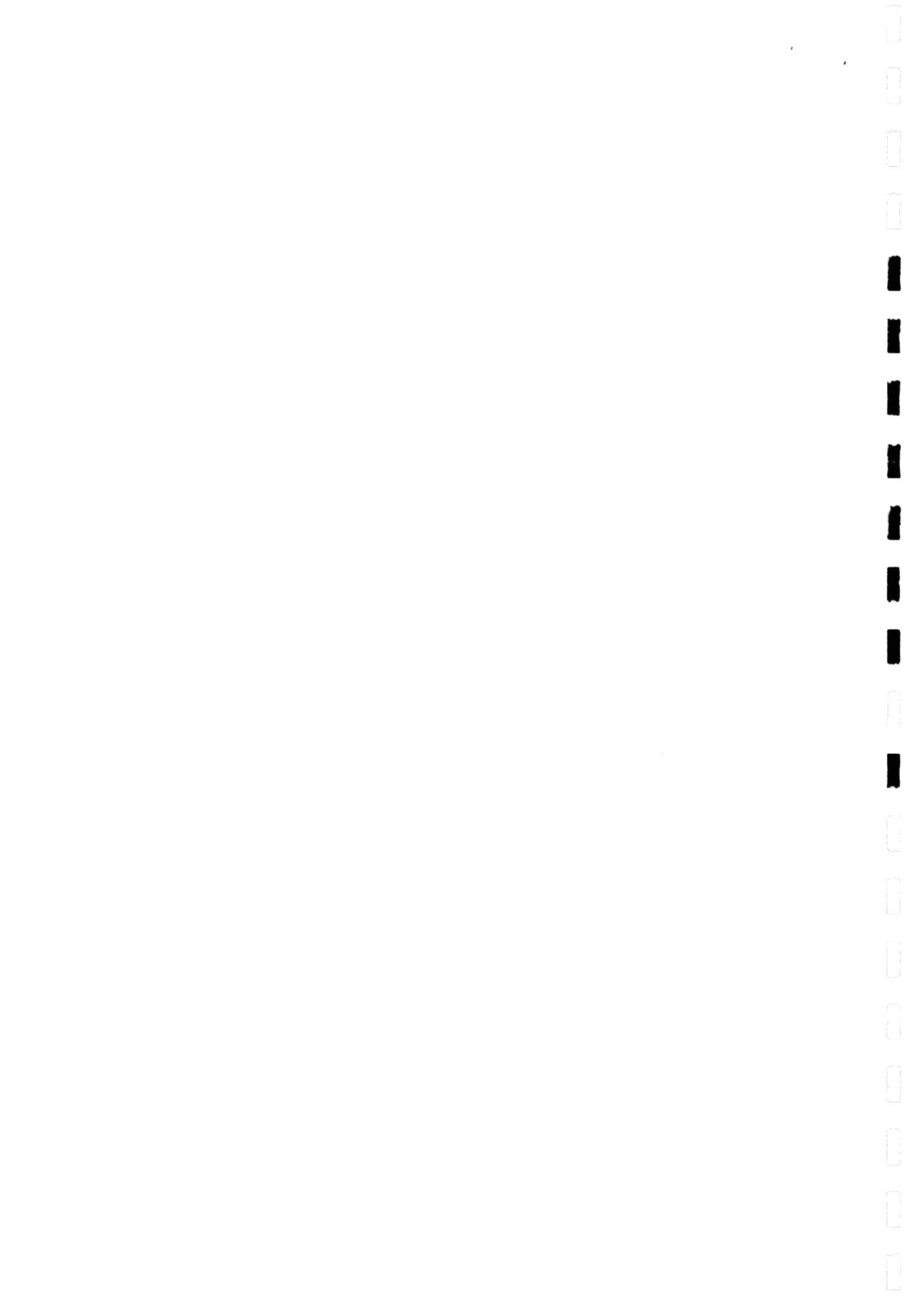
Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

5. Accounts Receivable

For the purposes of these financial statements accounts receivables include outstanding debtors for car loans and mortgage issued directly by the fund. Outstanding Loans issued by the bank under cash backed securities are not recognised as debtors. These are, however, disclosed in the notes to the accounts

6. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government



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practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

7. Non current assets

Non current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

8. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the entity at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

9. Budget

The budget is prepared on the same accounting basis (accrual basis), the same accounts classification basis, and for the same period as the financial statements. The entity's budget was approved as required by Law. The funds budget was appropriated by the County Assembly in the financial year 2014/2015 and 2015/2016 thus resulting to a fifteen months Financial statement.

10. Comparative figures

This being the first Fund Financial Statement, comparable amounts from previous financial years has not been given. However, subsequent financial statements should provide comparable figures for full disclosure.

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to County Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the County Treasury.

12. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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13. Related party transactions

Related party transactions involve cash and in kind transactions with the National Government, National Government entities and County Government entities. Specific information with regards to related party transactions is included in the disclosure notes.

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IX. NOTES TO THE FINANCIAL STATEMENTS-FUND ACCOUNT.

1. TRANSFERS FROM THE COUNTY TREASURY/EXCHEQUER RELEASES

	15 Months Ending 30th June 2016
	Kshs
Transfers from County Treasury	107,000
Cumulative Amount	107,000

2. OTHER INCOME

	15 Months Ending 30th June 2016
	Kshs
Interest received	3,3041
Total	3,3041

3. OPERATING COSTS

	15 Months Ending 30th June 2016
	Kshs
Bank Charges	-
Total	-

4. PRINCIPAL LOANS

	15 Months Ending 30th June 2016
	Kshs
Principal loans Directly Disbursed	4,000
Cash backed Collateral loans disbursed by bank	972,929
Total	1012,929

5. BANK ACCOUNTS BALANCES

Name of Bank, Account No. & Currency	As at 30 th June 2016
	Kshs
Family Bank Loan Fund Account – 095000030226	5,1941.20
Family Bank Loan Fund Account – Fixed	103,000.00
TOTAL	108,1941

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6. ACCOUNTS RECEIVABLE

	15 Months Ending 30th June 2016
	Kshs
Outstanding Loan Balances B/forward	-
Add Loans Issued during the year	4,000,000
Less Repayments Made	
- In Family bank	- 1,820,900
- In Kcb Bank	-
Total	2,179,100

7. FUND BALANCE BROUGHT FORWARD

	15 Months Ending 30th June 2016
	Kshs
Bank accounts	-
Accounts Receivables	-
Total	-

8. PRIOR YEAR ADJUSTMENT

	15 Months Ending 30th June 2016
Description of the adjustment	Kshs
Adjustments on bank account balances	-
Adjustments on cash in hand	-
Adjustments on payables	-
Adjustments on receivables	-
Others (<i>specify</i>)	-
Total	-

9. SCHEDULE OF LOAN BALANCES DIRECTLY ISSUED BY THE FUND

Name of Loan Beneficiary	Loan Date	Balance b/f	New loan	Repayments	Balance c/f
Hon Swaleh simba	Jul-14	-	2,000,000	910,450.00	1,089,550
Hon Jerumani Makraa	Jul-14		2,000,000	910,450.00	1,089,550
TOTAL			4,000,000	1,820,900	2,179,100

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10. CASH BACKED LOANS ISSUED BY FAMILY BANK

PF No	FAMILY BANK LOAN ACCOUNT NUMBER	NAME	PRINCIPAL LOAN DISBURSED	PRINCIPAL PAID AS AT 30TH JUNE 2016.	PRINCIPAL BALANCE AT 30TH JUNE 2016
20130020843	095CORL140900006	Amina Hussein Kilalo	3,000,000.00	2,307,752.78	692,247.22
20130011666	095CORL140790003	Andrew Muli Mwolovu	4,000,000.00	2,906,015.93	1,093,984.07
20120012127	095CORL140830004	Anthony Nawa Yama	3,200,000.00	2,317,468.75	882,531.25
20130011479	095CORL140840003	Antony Lulani Chidzidzingo	3,000,000.00	2,309,699.73	690,300.27
20130011782	095CORL141010011	Awadh Mohamed Salim	3,500,000.00	2,345,952.02	1,154,047.98
20130020834	095CORL140790007	Bintiomar Ramadhan Mwamwera	3,000,000.00	2,308,444.03	691,555.97
20130020816	095CORL140900001	Fatuma Juma Nimakulele	3,000,000.00	2,229,512.95	770,487.05
20130043631	095CORL140900003	Fatuma Kadro Mwambeyu	3,000,000.00	2,311,205.98	688,794.02
20130020763	095CORL140900004	Fatuma Rashid Mwamachache	3,000,000.00	2,219,518.95	780,481.05
19990027926	095CORL141000003	Fatuma Said Jirani	3,000,000.00	2,341,229.90	658,770.10
20130020772	095CORL140810003	Fatuma Salim Nchizumo	3,000,000.00	2,152,467.75	847,532.25
20130020754	095CORL140790018	Hadija Hamisi	3,200,000.00	2,484,007.25	715,992.75
20130012225	095CORL140790005	James Dawa Ngome	3,500,000.00	2,739,068.04	760,931.96
20130012556	095CORL140980005	Jerumaini Mohamed Makraa	1,500,000.00	1,154,021.95	345,978.05
20130012903	095CORL140830005	Juma Athumani Maone	3,000,000.00	2,241,844.06	758,155.94
20130011675	095CORL140790002	Juma Masudi Ngando	3,000,000.00	2,300,466.64	699,533.36
20130012181	095CORL141010012	Kassim Mwapojo Pojjo	3,500,000.00	2,126,881.11	1,373,118.89
20130020825	095CORL140900005	Mariam Hassan Baridi	3,000,000.00	2,180,732.95	819,267.05
20130020852	095CORL140790009	Mariam Umzi Benzao	3,000,000.00	2,120,618.02	879,381.98
20130020790	095CORL140790010	Michael Mulwa Mutua	2,000,000.00	1,566,396.00	433,604.00
20130011264	095CORL141060002	Mohamed Hitibu Dzugweh	3,500,000.00	2,607,324.35	892,675.65
20130012716	095CORL140980006	Musa Ahmed Umusa	3,500,000.00	2,258,367.12	1,241,632.88
20130020807	095CORL150540001	Mwanamisi Ali Libondo	1,500,000.00	998,037.44	501,962.56
20130012421	095CORL140790006	Mwerupeh Jackson Ndoro	3,500,000.00	2,191,877.83	1,308,122.17
20130012565	095CORL140790004	Nassoro Bakari Mgutta	3,500,000.00	2,410,543.72	1,089,456.28
20130012252	095CORL140800007	Omari Hamisi Kitengele	3,000,000.00	2,092,161.87	907,838.13
20130012378	095CORL140980008	Omari Idd Baga	3,000,000.00	2,306,501.99	693,498.01

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19992027616	095CORL140830006	Omari Jumaa Mwalimbirizwa	3,500,000.00	2,543,078.08	956,921.92
20130012878	095CORL141740002	Patrick Mangale Ny...	2,930,000.00	2,039,092.65	890,907.35
20130012823	095CORL160540002	Sammy Nyamawi R...	4,572,929.27	4,048,801.71	524,127.56
20130020781	095CORL140990003	Suleimani Salim Nz...	3,000,000.00	1,705,910.37	1,294,089.63
20130012547	095CORL140930001	Swalche Bakari Sim...	1,500,000.00	1,153,393.58	346,606.42
			97,442,929.27	71,018,395.50	26,424,533.77

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11. 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.

Ref. No on the external audit report	Observation from the Auditor	Management Comments	Focal point person to resolve the issue (Name and Designation)	Status: (Resolved/Not Resolved)	Time frame: (Date)
Mortgage and car loan	Provide ownership documents for cars and mortgages Provide evidence of security for the loans given to the MCAs	The said documents are available, charging of security was done for staff. Members cleared their loans	Senior Legal officer	Resolved	continuous

Ag. Clerk of the County Assembly

Sign.....

Date..... 20/6/2018

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I. ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2017	Comments
	A	b	c	d	d-c	
Construction of buildings						
1.						
Sub-Total						
Construction of civil works						
2.						
Sub-Total						
Supply of goods						
3.						
Sub-Total						
Supply of services						
4. Car & Mortgage Allocation			0			
5.						
Sub-Total						
Grand Total						

