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REPORT

OF

THE AUDITOR-GENERAL

ON

**MARSABIT COUNTY EXECUTIVE
COMMITTEE MEMBERS CAR LOAN
SCHEME FUND**

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



**MARSABIT COUNTY EXECUTIVE COMMITTEE MEMBERS CAR
LOAN SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

TABLE OF CONTENTS

TABLE OF CONTENTS	1
1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)	Error!
Bookmark not defined.	
3. MANAGEMENT TEAM	4
4. BOARD/FUND CHAIRPERSON'S REPORT	5
5. REPORT OF THE FUND ADMINISTRATOR	6
6. CORPORATE GOVERNANCE STATEMENT	7
7. MANAGEMENT DISCUSSION AND ANALYSIS	8
8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT	9
9. REPORT OF THE TRUSTEES	10
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	11
11. REPORT OF THE INDEPENDENT AUDITOR	12
12. FINANCIAL STATEMENTS	13
12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019	13
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019	14
12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019	15
12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019	16
12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019	18
12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	19
12.7. NOTES TO THE FINANCIAL STATEMENTS	33
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	36

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Marsabit County Executive Car Loan Scheme Fund is established by and derives its authority and accountability from xxx Act (*state the Act establishing the County Public Fund*) on xxxx (*insert date*). The Fund is wholly owned by the County Government of XXX and is domiciled in Kenya.

The fund's objective is to

The Fund's principal activity is xxx....

(Include any other information relevant to the users of financial information on the background of the Public Fund)

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to ...

(Under this section you may include the fund's vision, mission and core objectives)

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1		
2		
3		
4		
5		

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

d) Key Management

Ref	Name	Position
1	CEC-Finance & Economic Planning	Mr Adan Guyo Kanano
2	Chief Officer –Finance & Economic Planning	Mr Abdulahi Barako Kuli
3	Director-Finance/Budget	Mr Wario Jirmo Harsama
4	Director-Accounting Services	CPA Shalle Ibrahim Shalle
5		

**Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

e) Registered Offices

P.O. Box 384 - 60500
County Headquarters
Marsabit - Isiolo Highway
Kenya

f) Fund Contacts

Telephone: (254) 0727024916
E-mail: info@treasury.marsabit.go.ke
Website: www.marsabit.go.ke

g) Fund Bankers

1. Equity Bank,
Marsabit Branch

h) Independent Auditors

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

i) Principal Legal Adviser

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

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

2. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Insert each key Manager's passport-size photo and name,	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details
2. Manager 2	
3. Manager 3	
4. Manager 4	
5. Etc.	
Note: The Fund Administrator will feature under both the 'Board' and 'Management'.	

**Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

3. BOARD/FUND CHAIRPERSON’S REPORT

Put a forward note by the Chairperson of the corporate governance body responsible for the Public Fund. Where no such body exists, include a forward note by the CEC under whose department the Public Fund was established. May include information such as:

- Changes in the Fund during the year (in terms of the board or key management team)
- Review of the Fund’s performance
- Future outlook of the Fund
- Any other matters deemed necessary
- A conclusion

Signed: _____ -

<Name of Chairperson>

(This report is a summarised overview of the fund and should be like 1 page)

4. REPORT OF THE FUND ADMINISTRATOR

(Under this section, the Fund Administrator will give his report, which highlights the same issues as the Chairman in a more detailed format, usually 2 to 3 pages. The Fund Administrator may also mention at a high level the financial performance of the Fund).

The Fund Administrator should sign the Fund Administrator report.

Signed: _____ -

<Name of Fund Administrator>

5. CORPORATE GOVERNANCE STATEMENT

Two-to-three pages

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.)

6. MANAGEMENT DISCUSSION AND ANALYSIS

Two- three pages

(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Two-to-three pages

(The Fund gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives).

Where no CSR activities are undertaken during the year, there is no need to include the statement).

8. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are *(continue to be)*

Results

The results of the Fund for the year ended June 30, 2019 are set out on page

Trustees

The members of the Board of Trustees who served during the year are shown on page xxx *(refer to the key entity information and management page)*. The changes in the Board during the financial year are as shown below:

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* 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

XXX

Member of the Board

Date: _____

**Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

9. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2018, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

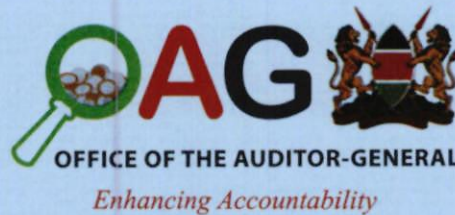
The Fund’s financial statements were approved by the Board on 30th June 2019 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MARSABIT COUNTY EXECUTIVE COMMITTEE MEMBERS CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Marsabit County Executive Committee Members Car Loan Scheme Fund set out on pages 13 to 36, 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 actuals amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis of Adverse opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Marsabit County Executive Committee Members Car Loan Scheme 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 do not comply with the Public Finance Management Act, 2012 and the Public Finance Management (Marsabit County Executive Committee Members Car Loan Scheme Fund) Regulations, 2015.

Basis for Adverse Opinion

1. Accuracy of the Financial Statements

The financial statements for the year under review reflects comparative 2017/2018 balances of twelve (12) components that were at variance with the audited 2017/2018 financial statements as follows;

Component	Comparative 2017/2018 Balances as per the 2018/2019 Financial Statements (Kshs.)	Balances as per the 2017/2018 Audited Financial Statements (Kshs.)	Variance (Kshs.)
STATEMENT OF FINANCIAL PERFORMANCE			
Transfers from the County Government	0	20,000,000	(20,000,000)
Interest Income	130,521.18	0	130,521.18

Report of the Auditor-General on Marsabit County Executive Committee Members Car Loan Scheme Fund for the year ended 30 June, 2019

Component	Comparative 2017/2018 Balances as per the 2018/2019 Financial Statements (Kshs.)	Balances as per the 2017/2018 Audited Financial Statements (Kshs.)	Variance (Kshs.)
General Expenses	32,860	41,860	(9,000)
STATEMENT OF FINANCIAL POSITION			
Short Term Accounts Receivables	179,687	35,937	143,750
Long Term Receivables from Exchange Transactions	24,367,429.77	24,162,568	204,861.77
Trade and Other Payables from Exchange Transactions	0	71,875	(71,875)
Revolving Fund	46,000,000	26,000,000	20,000,000
Accumulated Surplus	(1,601,353.03)	17,978,160	(19,579,513)
STATEMENT OF CASHFLOWS			
Transfer from the County Government	0	20,000,000	(20,000,000)
Other Receipts	0	71,875	(71,875)
Proceeds from Loan Principal Repayments	1,630,416.02	1,698,062	(67,645.98)
Net Cash flow from Financing Activities	20,000,000	0	20,000,000

Further, the statement of cash flow reflects negative Kshs.12,000,000 in respect to proceeds from revolving fund receipts. No explanation was availed by the Management for treating a receipt as a cash outflow.

In view of the foregoing, the accuracy of the financial statements for the year ended 30 June, 2019 could not confirmed.

2. Presentation and Disclosure of the Financial Statements

The financial statements for the year under review contains various anomalies which are not in line with the template issued in June, 2019 by the Public Sector Accounting Standards Board (PSASB) as shown:

Page	Details	Remarks
2	Background Information	Information on the Enabling Act, principal activities and fund administration committee are missing from the annual report section in the financial statements
4	Management Team	Names, passport size photo and key academic and professional qualification are missing from the annual report section in the financial statements

Page	Details	Remarks
5	Fund's Chairperson Report	A forward note by the chairperson is missing from the annual report section in the financial statements
6	Report of the Fund Administrator	The required information highlighting the financial performance of the fund is missing from the annual report section in the financial statements
7	Corporate Governance Statement	Boarding meeting held, board charter, appointment role and function of board are missing from the annual report section in the financial statements
8	Management Discussion and Analysis	Report on operation and financial performance during the year and key entity's projects/investment are missing from the annual report section in the financial statements
9	Corporate Social Responsibility	Details of corporate social responsibility carried out during the year and the impact to the society is missing from the annual report section in the financial statements
10	Report of the Trustees	Principal activities, results and trustees are missing from the annual report section in the financial statements
11	Statement of Management's Responsibilities	The enabling legislation not quoted in the annual report section in the financial statements
36	Progress on follow up of previous year Auditor's Recommendation	The progress report on the issues raised in 2017/2018 is missing from the annual report section in the financial statements
	Statement of Financial Position	Not paginated
	Statement of Changes in Net Assets	Not paginated
	Statement of Cash Flows	Not paginated
	Statement of Comparison of Budget and Actual Amounts	Not paginated
13	Note 4 - Statement of Financial Performance	Actual note to the financial statements is Note 1
13	Note 7 - Statement of Financial Performance	Actual note to the financial statements is Note 2
	Note 10- Statement of financial position	Actual note to the financial statements is Note 3
various	Headings of the financial statements	Headings of the financial statements are not visible

Page	Details	Remarks
unpaged	The statement of changes in net asset reads "as at 30 June, 2019"	The International Public Sector Accounting Standard (IPSAS) one (1) on presentation of financial statement stipulates that this statement should read "for the year ended-----"

Consequently, the Fund's financial statements for the year under review were not prepared in accordance with the PSASB prescribed reporting format.

3. Receivables from Exchange Transactions - Outstanding Loans

Note 4 of the financial statements reflects Kshs.27,972,040 on total receivables from exchange transactions which include Kshs.27,704,445 in respect to long-term loan repayment due, which further includes Kshs.12,410,885 in respect to outstanding loan from eight (8) former members of the County Executive Committee Members (CECs) as follows;

Designation	Loan Balance as at 30 June, 2019 (Kshs.)
Former CECM – Roads, Public Works and Housing	1,021,810
Former CECM – Lands and Urban Development	1,529,104
Former CECM – Water and Environment	1,514,104
Former CECM – Agriculture, Livestock and Fisheries	1,545,241
Former CECM – Health services	1,575,958
Former CECM – Trade, Co-operatives and Enterprise Development	1,704,416
Former County Secretary	1,565,252
Former CECM – Administration and ICT	1,955,000
Totals	12,410,885

However, the contract for the above eight members ended before they cleared their loan contrary to Salaries and Remunerations Commission circular No.SRC/CGOVT/3/61 which stipulates that the loan to CECs is repayable within the term of their contract of work. In addition, the loan has been outstanding since July, 2018 and a review of the personal files for the eight (8) members revealed that the Fund had not issued demand letters or instituted legal measures to recover the overdue loans.

In the circumstances, the recoverability of Kshs.12,410,885 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Marsabit County Executive Committee Members Car Loan Scheme 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 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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Budget analysis

The statement of comparison of budget and actuals amounts reflects actual receipts of Kshs.452,979 and an actual expenditure of Kshs.3,190 resulting to an under absorption of Kshs.449,789.

The under absorption of Kshs.449,789 is equivalent to services planned for but not delivered to the residents of Marsabit County. There is need therefore for the Fund to relook at its budget making mechanism with a view to coming up with more realistic budget.

1.2 Un-balanced Budget

The statement of comparison of budget and actuals amounts reflects Kshs.452,979 and Kshs.3,190 in respect to approved receipts and expenditure budgets respectively resulting to Kshs.449,789 budgeted receipts without corresponding budgeted expenditure. This is contrary to Section 31(c) of the Public Finance Management (County Government) Regulations, 2015 which states that budget revenue and expenditure appropriation shall be balanced.

Consequently, the Fund is in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

Unsecured Loans

Note 4 of the financial statements reflects Kshs.27,972,040 on receivables from exchange transactions which include Kshs.27,704,445 in respect to long term repayment due from

eighteen members as at 30 June, 2019. However, review of the loan records for the eighteen (18) members revealed that crucial loan security documents that ought to have been with the Fund namely; the original jointly owned logbooks, supplier invoices, sale agreements, copies of insurance policies, and valuation reports were not in the custody of the officer administering the Fund. This is contrary to Section 9(2) of the Marsabit County Executive Committee Members Car Loan Scheme Fund Regulations, 2015 which stipulates that the log-book of the vehicle acquired with a loan from the Fund, shall be issued jointly between the Committee and the Member (loanee) of the Scheme and shall be kept in the custody of the Officer administering the Fund until the loan is repaid in full by the loanee of the Scheme or his or her guarantor and Section 13(1) of the same regulations which stipulates that a member of the Scheme shall comprehensively insure any vehicle purchased through the scheme with an approved insurer by the Committee.

In the circumstances, the Fund was in breach of the law and it is at risk of losing the receivables of Kshs.27,704,445 in case of default by members.

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

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

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective 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 Marsabit County Executive Committee Members Car Loan Scheme Fund ability to continue sustain services, disclosing, as applicable, matters related to sustainability of services and using the Accrual Basis of accounting unless Management is aware of the intention to terminate Marsabit County Executive Committee Members Car Loan Scheme Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing Marsabit County Executive Committee Members Car Loan Scheme Fund 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 Marsabit County Executive Committee Members Car Loan Scheme Fund's ability to continue offering 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 Marsabit County Executive Committee Members Car Loan Scheme Fund to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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 Marsabit County Executive Committee Members Car 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 matter, 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 matter that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

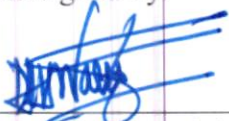
28 October, 2021

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

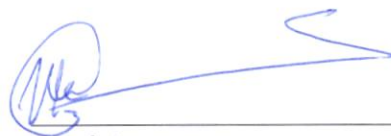
11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/2019 KShs	2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	10	4,876,395.28	19,851,530.20
Current portion of long term receivables from exchange transactions	11		-
Short term accounts receivables	12	267,595.19	179,687.00
Inventories	13	-	-
		5,143,990.47	20,031,217.20
Non-current assets			
Property, plant and equipment	14	-	-
Intangible assets	15		
Long term receivables from exchange transactions	11	27,704,444.87	24,367,429.77
Total assets		32,848,435.34	44,398,646.97
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	-	-
Provisions	17	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
		0	0
Non-current liabilities			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
Total liabilities		0	0
Net assets		32,848,435.34	44,398,646.97
Revolving Fund		34,000,000.00	46,000,000.00
Reserves			
Accumulated surplus		-1,151,564.26	-1,601,353.03
Total net assets and liabilities		32,848,435.74	44,398,646.97

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25/9/ 2019 and signed by:



 Administrator of the Fund
 Name: Wario Jirmo Harsama



 Fund Accountant
 Name: Shalle Ibrahim Shalle
 ICPAK Member Number: 11648

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	26,000,000.00	-	-	26,000,000.00
Surplus/(deficit) for the period	-	-	1,601,353.03	1,601,353.03
Funds received during the year	20,000,000.00	-	-	20,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	46,000,000.00	-	1,601,353.03	44,398,646.97
Balance as at 1 July 2018	46,000,000.00	-	1,601,353.03	44,398,646.97
Surplus/(deficit) for the period	-	-	449,788.77	449,788.77
Funds received during the year	-12,000,000.00	-	-	-12,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	34,000,000.00	-	1,151,564.26	32,848,435.74

(Provide details on the nature and purpose of reserves)

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the County Government		-	-
Interest received		452,978.77	130,521.18
Receipts from other operating activities		-	-
Change in accounts receivables		-87,908.19	
Total Receipts		365,070.58	130,521.18
Payments			
Fund administration expenses		-	-
General expenses		3,190.00	32,860.00
Finance cost		-	-
Total Payments		3,190.00	32,860.00
Net cash flows from operating activities	25	361,880.58	97,661.18
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		4,482,984.90	1,630,416.02
Loan disbursements paid out		-7,820,000.00	-7,820,000.00
Net cash flows used in investing activities		-3,337,015.10	-6,189,583.98
Cash flows from financing activities			
Proceeds from revolving fund receipts		-12,000,000.00	20,000,000.00
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-12,000,000.00	20,000,000.00
Net increase/(decrease) in cash and cash equivalents		-14,975,134.52	13,908,077.20
Cash and cash equivalents at 1 JULY	15	19,851,529.00	5,943,453.00
Cash and cash equivalents at 30 JUNE	15	4,876,394.48	19,851,530.20

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-	-	-	-
Interest income	452,978.77	-	452,978.77	452,978.77	-	100%
Other income	-	-	-	-	-	-
Total income	452,978.77	-	452,978.77	452,978.77	-	100%
Expenses						
Fund administration expenses	-	-	-	-	-	-
General expenses	3,190.00	-	3,190.00	3,190.00	-	100%
Finance cost	-	-	-	-	-	-
Total expenditure	3,190.00	-	3,190.00	3,190.00	-	100%
Surplus for the period	-	-	-	449,788.77	-	-

11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

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. <i>(State the impact of the standard to the entity if relevant)</i>

b) 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: <ul style="list-style-type: none"> • 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;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • 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. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (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. <p><i>(State the impact of the standard to the entity if relevant)</i></p>

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on xxx. 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 Fund recorded additional appropriations of xxxxx on the FY 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 xxx of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or 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:

- 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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 xxx.

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)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
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)

**Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

		Change in currency rate	Effect on surplus/ deficit	Effect on equity
		KShs	KShs	KShs
2019				
Euro		-	-	-
USD		-	-	-
2018		-	-	-
Euro		-	-	-
USD		-	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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 xxx (2019: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2018 – KShs xxx)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	452,978.77	130,521.18
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	452,978.77	130,521.18

(Provide brief explanation for this revenue)

2. Staff costs

Description	2018/2019	2017/2018
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other costs	3,190.00	32,860.00
Total	3,190.00	32,860.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
Marsabit County Car Loan account	4,876,395.28	19,851,530.20
Total cash and cash equivalents	4,876,395.28	19,851,530.20

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

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

Financial institution	Account number	2018/2019	2017/2018
		KShs	KShs
a) Current account			
Equity Bank-Marsabit	1010268149745	4,876,395.28	19,851,530.20
		-	-
Grand total		4,876,395.28	19,851,530.20

4. Receivables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Current Receivables		
Current loan repayments due	-	-
Other exchange debtors	267,595.19	179,687.00
Less: impairment allowance	-	-
Total Current receivables	267,595.19	179,687.00
	-	-
Non-Current receivables		
Long term loan repayments due	27,704,444.87	24,367,429.77
Total Non- current receivables	27,704,444.87	24,367,429.77
Total receivables from exchange transactions	27,972,040.06	24,547,116.77

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Inventories

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

Marsabit County Executive Committee Members Car Loan Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

12. 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)

Guidance Notes:

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