

REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**SAMBURU COUNTY ASSEMBLY STAFF  
MORTGAGE SCHEME FUND**

**FOR THE YEAR  
ENDED 30 JUNE, 2020**

PAPERS LAID	
DATE	29/3/20
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COMMITTEE	-
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29 SEP 2020

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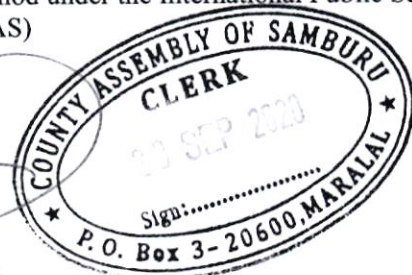
**SAMBURU COUNTY ASSEMBLY MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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



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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Samburu County Assembly mortgage scheme fund is a revolving fund established pursuant to the salaries and remuneration commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

The Fund is wholly owned by the Samburu County Assembly and is domiciled in Kenya.

The fund's objective is to provide mortgage and car loan facilities to Honourable Members of the County Assembly and its administrative workforce.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide car loan and mortgage to members of the county assembly of Samburu and its administrative staff.

**c) Mortgage Fund Administration Committee/Trustees**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon. Solomon Lempere	Chairperson
2	Hon. Adamson Lanyasunya	Vice Chairperson
3	Hon. Nicholas Leparsayia	Member
4	Mr. Jackson Lenaituriae	Member
5	Ms. Purity Namayian Lentaano	Member
6	Mr. Patrick Leshore	Clerk/Fund Administrator

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Adamson Lanyasunya	Chairperson
2	Mr. Patrick Leshore	Fund Administrator/Clerk
3	Mr. Nelson Lesorogol	Director Finance and Accounting
4	Mrs. Sein Leshornai	Director HR Officer
5	Ms. Pascaline Naanyu Letipila	Legal Officer

**e) Registered Offices**

Samburu County Assembly  
P.O. Box 3-20600  
Samburu County Assembly Building  
Maralal-Baragoi Road  
Maralal, KENYA

**f) Fund Contacts**

Telephone: (254) 714 379 487, (254) 721 818 492  
E-mail: [info@samburuassembly.go.ke](mailto:info@samburuassembly.go.ke)  
Website: [www.samburuassembly.go.ke](http://www.samburuassembly.go.ke)

**g) Fund Bankers**

KCB Bank Kenya Limited  
A/C No. 1151162191  
P.O. Box 260  
Maralal Branch 20600  
Maralal, Kenya

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

## 2. THE BOARD OF TRUSTEES (Mortgage Committee)

Name	Details of qualifications and experience
1. Hon. Solomon Lempere	Hon. Solomon Lempere is a graduate of Pretoria University (South Africa), Moi University and the Speaker of Samburu County Assembly. He is the chairperson of the Samburu County Assembly Service Board.
2. Hon. Adamson Lanyasunya	Hon. Adamson Lanyasunya is an elected Member of the County Assembly representing the people of Loosok ward in Samburu Central Sub-County for the second term running. He is the Majority Leader in the House and Vice Chairperson of the Samburu County Assembly Service Board. Hon. Adamson Lanyasunya is the Chairperson of the Mortgage Committee.
3. Hon. Nicholas Leparsayia	Hon. Nicholas Leparsayia is an elected Member of the County Assembly representing the people of Baawa ward in Samburu North sub-County and previously worked as a teacher. He is the Minority Leader of the House and Vice chairperson of the Mortgage Committee.
4. Mr. Jackson Lenaituriae	Mr. Jackson Lenaituriae is a graduate and an independent Member of the Samburu County Assembly Service Board. He is a teacher by profession and has over twenty years of work experience.
5. Mr. Patrick Leshore	Mr. Patrick Leshore is a graduate and accountant by profession. He previously worked with the defunct local authority and he is the Clerk of the Samburu County Assembly and Fund Administrator of the Mortgage Fund.

### 3. MANAGEMENT TEAM

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mr. Patrick Leshore	He is the Fund Administrator of the mortgage fund scheme
2	Mr. Nelson Lesorogol	Director Finance and financial advisor to the mortgage committee
4	Mr. Faustine Leshornai	Director HR and technical assistant to the mortgage committee
5	Mr. Pascaline Letipila	Legal Officer and the legal advisor to the mortgage committee

#### 4. FUND CHAIRPERSON'S REPORT

The Samburu County Assembly Car Loan and Mortgage Regulation passed by the Samburu County Assembly create the position of chairperson of the Samburu County Assembly Mortgage Fund Scheme. The regulation states that the Majority leader of the House assumes the chair of the mortgage fund.

The chairperson is deputised by the Minority leader as per the mortgage regulation and assisted by the fund administrator and the independent member of the Samburu County Assembly Service Board.

The Samburu County Assembly Car Loan and Mortgage Regulation states that the Clerk of the Samburu County Assembly to be the Fund Administrator.

The fund has been in operation for six years since its inception and it has so far performed its first task of foreseeing the smooth disbursement of car loan and mortgage to the Members of the County Assembly. A total of Kshs. 60,200,000.00 was allocated for car loan and mortgage to staff of the Assembly and the whole amount was fully utilised as prioritised.

The Fund is looking forward to collecting the monthly mortgage deductions from the members through the payroll system and utilise the same collections to offer mortgage facility to its administrative workforce.

The board will from time to time pass budgetary allocation to the mortgage fund to help close the deficit in monthly mortgage collections for disbursement to the members of staff.

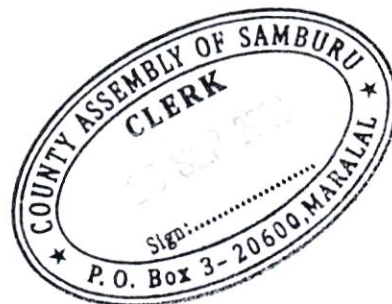
Signed: \_\_\_\_\_

*Adamson*

Hon. Adamson Lanyasunya  
Chairperson  
Samburu County Assembly Mortgage Fund Scheme

Date: .....

*28th September 2020*

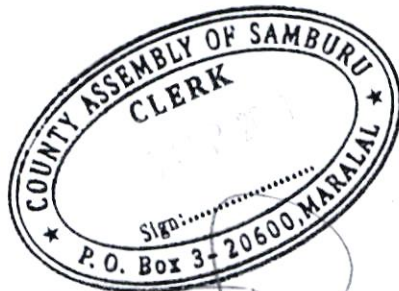




## 5. REPORT OF THE FUND ADMINISTRATOR

The financial statements for Samburu County Assembly Car Loan & Mortgage Fund for the FY 2013/14 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

Pursuant to PFM act 2012 section 116 (1) the County Executive member for Finance and Planning established the Samburu County Assembly Mortgage and Car loan Fund Scheme to cater for members of the county assembly and its administrative staff. The County Executive member then formulated the regulation that was approved by the County Assembly on April 2014. These regulations set the modalities for the establishment and management of a fund for the two facilities (Car and Mortgage scheme). This is after the salaries and remuneration commission had approved car and mortgage loans for members of the county assemblies via circular SRC/TS/CGOVT/3/16 of Kenya shillings two million (Kshs 2,000,000) and Kenya shillings three millions (Kshs 3,000,000) respectively.



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

Mr Patrick Kamais Leshore  
Fund Administrator  
Samburu County Assembly Mortgage Fund Scheme

Date..... 28<sup>th</sup> Sept 2020 .....

## **6. CORPORATE GOVERNANCE STATEMENT**

To this end, the mortgage committee had only one sitting to deliberate on the disbursement of car loan and mortgage to the members of the county assembly. The meeting was attended by all the members of the board who helped in insuring the process was smooth.

The appointment of board members is clearly stipulated in the car loan and mortgage regulation. The majority and minority leaders of the House take the positions of chairperson and deputy chairperson respectively. The Clerk of the county assembly takes the position of the fund administrator whereas the independent member of the assembly service board becomes a member of the board.

Board membership changes in the circumstance where the membership of the county assembly service board changes and where the Clerk of the county assembly has changed.

The board members should undergo rigorous training to help carry out their roles of mortgage fund budgeting, mortgage applications approval and all matters pertaining to management of the fund.

The board members will be allowed to draw sitting allowances to be agreed on later by the board. Finally yet importantly, it is the resolution of the board to have it audited annually to ensure it operates within the required ethical and governance guidelines.

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

The fund had presided over the allocation of mortgage fund of kshs. 60,200,000.00 for the financial year 2019-2020. The board was fully involved in the process of approving the application of car loan and mortgage and disbursing the same to the members of the county assembly.

The mortgage committee expects the parent entity that is the Samburu County Assembly to prepare, budget for and pay fringe benefit tax to Kenya Revenue Authority for car loan and mortgage disbursed to members.

The management is in the process of contracting an insurance company to help mitigate on risks related to defaults in repayments and full recovery of mortgage funds.

The fund anticipates that all the car loan and mortgage disbursed to members of the county assembly will be fully repaid at the end of the term of the second county assembly that is August 2022.

## 8. REPORT OF THE BOARD

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which shows the state of the Fund affairs.

### Principal activities

The principal activity of the Fund is foreseeing the fair disbursement of mortgage facilities to Honourable members and administrative staff.


### Results

The results of the Fund for the year ended June 30, 2020 are set out in the financial statement attached.

### Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya.

By Order of the Board

  
Mr Adamson Lanyasunya  
Chairperson



Date: 25th September 2020

## 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 Samburu County Assembly Mortgage Scheme Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

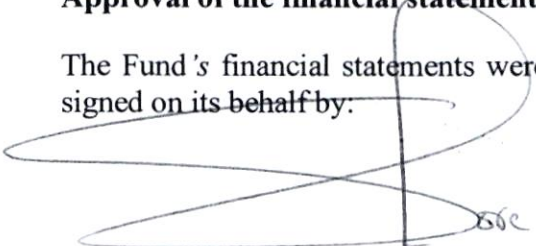
The Administrator of the Samburu County Assembly Mortgage Scheme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility 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.

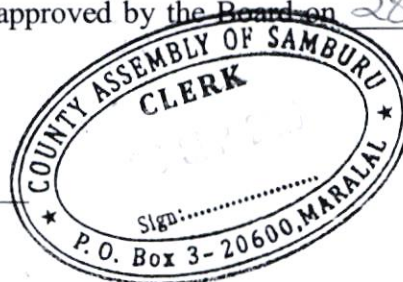
The Administrator of the Samburu County Assembly Mortgage Scheme Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and SRC circular SRC/TS/CGOVT/3/16. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, 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

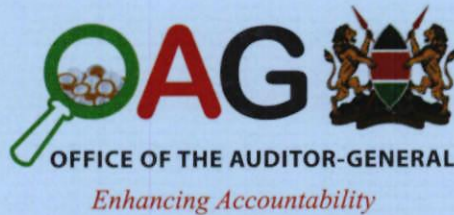
The Fund's financial statements were approved by the Board on 28<sup>th</sup> sept. 2020 and signed on its behalf by:

  
Mr. Patrick K Leshore  
Administrator of the Mortgage Fund



# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Samburu County Assembly Staff Mortgage Scheme Fund set out on pages 12 to 38, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

#### **Basis for Disclaimer of Opinion**

##### **1. Inaccuracies in the Financial Statements**

The financial statements as presented had the following inaccuracies:

- i) The statement of financial performance reflects interest income amounting to Kshs.9,154,077 for the year ended 30 June, 2020 whereas the statement of cash flows reflects interest received amounting to Kshs.9,162,770 resulting to a variance of Kshs.8,693 that has not been explained.
- ii) The statement of financial position reflects total assets of Kshs.326,191,926 whereas summary of significant accounting policies Note 19(a) under credit risk reflects Kshs.135,671,909 resulting to a variance of Kshs.190,520,017 that has not been reconciled.
- iii) The statement of financial position reflects a revolving fund balance of Kshs.305,000,000 whereas summary of significant accounting policies Note 19(c) under capital risk management reflects a balance of Kshs.151,959,386 resulting to a variance of Kshs.153,040,614 that has not been reconciled.

- iv) The statement of changes in net assets reflects nil transfers from County Assembly whereas Note 2 reflects transfers from county government of Kshs.135,000,000 that has not been explained.

Consequently, the accuracy and completeness of the financial statements presented for audit could not be confirmed.

## 2. Inaccuracies in Comparative Figures

The comparative figures for four (4) items included in the financial statements differed from the last year audited figures resulting to a variance of Kshs.11,557,281 as detailed below: -

Particulars	Note	Comparative FS Figures Kshs.	Audited Figures Kshs.	Variance Kshs.
Current Portion of Long-Term Receivables from Exchange Transactions	12	76,094,596	70,841,300	5,253,296
Long Term Receivables from Exchange Transaction	12	240,782,943	253,916,223	(13,133,280)
Accumulated Surplus		7,813,878	15,723,715	(7,909,837)
Total Net Assets and Liability		317,046,418	312,813,878	4,232,540
<b>Total</b>		<b>641,737,835</b>	<b>653,295,116</b>	<b>11,557,281</b>

This is in breach of paragraph 53 of International Public Sector Accounting Standards Number one (IPSAS 1) on presentation of financial statements that requires an entity to present a complete set of financial statements at least annually including comparative information disclosure in respect of the previous period for all amounts reported in the financial statements.

Consequently, the accuracy and completeness of comparative year figures of Kshs.641,737,835 reflected in the financial statements for the year ended 30 June, 2020 could not be confirmed.

## 3. Unsupported Interest Income

As disclosed in Note 4 to the financial statements, the statement of financial performance reflects interest income amount of Kshs.9,154,077; (2019-Kshs.7,817,520). However, the amount was not supported by way of detailed interest schedules, and individual account statements indicating the interest accrued. This is contrary to section 99(3) of the Public Finance Management (County Government) Regulations 2015, that requires every entry in the accounts to be supported.

Consequently, the accuracy and completeness of the reported interest income totaling to Kshs.9,154,077 for the year ended 30 June, 2020 could not be confirmed.

#### **4. Inaccuracies in Cash and Cash Equivalents**

The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.105,971. However, this amount is at variance with the cash book balance of Kshs.9,124,166 resulting to unreconciled variance of Kshs.9,018,195. In addition, the balance is not supported by a certificate of bank balance.

Further, the bank reconciliation statement for this bank account reflects receipts in bank statement not recorded in cashbook of Kshs.4,800,735 and receipts in cash book not yet recorded in bank statement of Kshs.4,869,622 that are not analyzed and the subsequent cash book or bank statements were not provided to audit to confirm whether they were subsequently cleared.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.105,971 as at 30 June, 2020 could not be confirmed.

#### **5. Unsupported Current Portion of Long-Term Receivables**

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.65,111,081;(2019-Kshs.70,841,300) and as disclosed in Note 12 to the financial statements. However, the balance includes other exchange debtors of balance of Kshs.13,957,020 was not supported by way of detailed schedule of principal amount, interest, repayments and the outstanding balance.

Consequently, the accuracy and fair statement of the current portion of long-term receivables balance of Kshs.65,111,081 as at 30 June, 2020 could not be confirmed.

#### **6. Unsupported Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects long-term receivables from exchange transactions of Kshs.260,974,874;(2019-Kshs.253,916,223) and as disclosed in Note 12 to the financial statements. However, the balance was not supported by way of detailed schedule of principal amount, interest, repayments and the outstanding balance.

In addition, and as reported previously, the outstanding loan balances includes an amount of Kshs.15,245,516 owed by seventeen (17) former Members of the County Assembly who exited in August 2017. Although the recoverability of these loans is doubtful, no provision for likely impairment have been made in the financial statements. Further, there is no evidence of the action taken by the Management to recover these outstanding loans as per mortgage regulations.

Consequently, the accuracy and fair statement of the long-term receivables from exchange transactions of Kshs.260,974,874 as at 30 June, 2020 could not be confirmed.

#### **7. Inaccuracies in Trade and Other Payables from Transactions**

The statement of financial position reflects trade and other payables from transactions balance of Kshs.4,232,540;(2019-Kshs.4,232,540) and as disclosed under Note 17 to the financial statements. However, this amount is at variance with supporting schedule



amount of Kshs.4,627,302 resulting to unexplained variance of Kshs.394,762. Further, although the balance relates to refundable deposits, the Management did not explain their nature or supported them by way of creditors' ledger and statements.

Consequently, the accuracy and fair statement of trade and other payables from transactions balance of Kshs.4,232,540 as at 30 June 2020 could not be confirmed.

#### **8. Variance in Revolving Fund Balance**

The statement of financial position reflects revolving fund balance of Kshs.305,000,000;(2019-Kshs.305,000,000) that is at variance with the supporting schedule of Kshs.305,005,001 resulting to unexplained variance of Kshs.5,001.

Consequently, the accuracy and fair statement of the revolving fund balance of Kshs.305,000,000 as at 30 June 2020 could not be confirmed.

#### **9. Non-Adherence to Mortgage Fund Regulations**

Review of loans records revealed instances of non-compliance with the Mortgage Fund Regulations as detailed out below:

- i) Evidence of charge on properties financed through the Fund were not made available for audit review. This is contrary to Regulation 15(1) which requires the Board to have a charge registered on the property financed through a loan granted and have its name entered on all documents of the title for such property;
- ii) Evidence of the loan's approvals by the Mortgage Loans Management Committee pursuant to Regulation 6 of the mortgage Fund, was not made available for audit review; and
- iii) Contrary to the provisions of Regulation 16(1) which stipulates that a Borrower shall take out and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board and the cost of which shall be paid out of the Fund and debited in Borrowers account. There was no evidence that this was implemented by the Fund Management.

To the extent, the Fund is in breach of the law.

#### **10. Errors in the Annual Reports and Financial Statements**

The annual reports and financial statements prepared and presented for audit, had the following errors: -

- i) The table of contents, and pages 2 to 12 and 14 do not contain the financial statements header.
- ii) The table of content does not have a page number and also contain the words 'Error bookmark not defined' which should be replaced with the page number references.

- iii) Page 2 indicates the independent auditors as Kenya National Audit Office instead of Office of the Auditor General.
- iv) On page 3 on mortgage committee members, details of academic profession, date of birth and work experience are not clearly stated with specific dates. Further no passport size photos are included.
- v) The Chairperson's Report on page 5 does not show the performance of the Fund during the year under consideration. Further, the report reflects Samburu County Assembly Car Loan and Mortgage instead of Samburu County Assembly Staff Mortgage Scheme Fund.
- vi) The Fund Administrator Report on page 6 shows the financial year as 2013/14 instead of 2019/20. In addition, the report does not give information on the Fund's performance and operations during the year. Further, the report reflects Samburu County Assembly Car Loan and Mortgage instead of Samburu County Assembly Staff Mortgage Scheme Fund.
- vii) The corporate governance statement on page 7 does not explain the different sub committees of the Fund and their membership. Further, the statement indicate sitting allowances will be agreed instead of stating the approved rates and number of meetings held. The statement also refers to car loan and mortgage regulations instead of Samburu County Assembly Staff Mortgage Scheme Fund Regulations, 2014 and amended in 2016.
- viii) Under Summary of significant accounting policies, the adoption of new and revised standards for the year ended 30 June, 2016 is not relevant to the financial statements of 30 June, 2020.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the annual reports and the financial statements as prepared and presented are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

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

### **Conclusion**

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

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the

Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer Opinion Section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

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

  
CPA Nancy Gatunga, CBS  
AUDITOR-GENERAL

Nairobi

15 February, 2020

## 11. FINANCIAL STATEMENTS

### 11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Fines, penalties and other levies	3	0.00	0.00
		0.00	0.00
<b>Revenue from exchange transactions</b>			
Interest income	4	9,154,076.50	7,817,520.43
Other income	5	-	-
<b>Total revenue</b>		<b>9,154,076.50</b>	<b>7,817,520.43</b>
<b>Expenses</b>			
Fund administration expenses	6	0.00	0.00
Staff Costs	7	0.00	0.00
General expenses – Bank charges	8	8,568.00	3,642.50
Finance costs	9	0.00	0.00
<b>Total expenses</b>		<b>8,568.00</b>	<b>3,642.50</b>
<b>Other gains/losses</b>		0.00	0.00
Gain/loss on disposal of assets	10	0.00	0.00
<b>Surplus/( deficit) for the period</b>		<b>9,145,508.50</b>	<b>7,813,877.93</b>

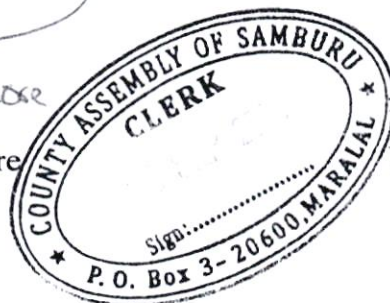
**Samburu County Assembly Mortgage Scheme Fund**  
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**11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	105,971.15	168,878.84
Current portion of long term receivables from exchange transactions	12	65,111,081.32	76,094,595.72
Prepayments	13	-	-
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	260,974,873.95	240,782,943.37
<b>Total assets</b>		<b>326,191,926.43</b>	<b>317,046,417.93</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from transactions	17	4,232,540.00	4,232,540.00
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>4,232,540.00</b>	<b>4,232,540.00</b>
<b>Net assets</b>			
Revolving Fund		305,000,000.00	305,000,000.00
Reserves		-	-
Accumulated surplus		16,959,386.43	7,813,877.93
<b>Total net assets and liabilities</b>		<b>326,191,926.43</b>	<b>317,046,417.93</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:

Administrator of the Fund  
 Name: Patrick Kamais Leshore



Director Finance & Accounting  
 Name: Nelson Joseph Lesorogol  
 ICPAK No. 22366

### 11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	<b>170,000,000.00</b>	-	-	<b>170,000,000.00</b>
Surplus/(deficit) for the period	-	-	7,813,877.93	<b>7,813,877.93</b>
Funds received during the year	135,000,000.00	-	-	<b>135,000,000.00</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>305,000,000.00</b>	-	<b>7,813,877.93</b>	<b>312,813,877.93</b>
<b>Balance as at 1 July 2019</b>	<b>305,000,000.00</b>	-	<b>7,813,877.93</b>	<b>312,813,877.93</b>
Surplus/(deficit) for the period	-	-	9,145,508.50	<b>9,145,508.50</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 JUNE 2020</b>	<b>305,000,000.00</b>	-	<b>16,959,386.43</b>	<b>321,959,386.43</b>

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**11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KS
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	
Transfers from the County Government		-	
Interest received		9,162,770.45	
Receipts from other operating activities		-	
<b>Total Receipts</b>		9,162,770.45	
<b>Payments</b>			
Fund administration expenses		-	
General expenses		8,568.00	3,642.45
Finance cost		-	
<b>Total Payments</b>		8,568.00	3,642.45
<b>Net cash flows from operating activities</b>	21	<b>9,154,202.45</b>	3,642.45
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0.00	0.00
Proceeds from sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		50,982,889.90	68,492,626.00
Loan disbursements paid out		(60,200,000.00)	(70,862,000.00)
<b>Net cash flows used in investing activities</b>		<b>(9,217,110.10)</b>	<b>(2,369,374.00)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0.00	0.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
<b>Net cash flows used in financing activities</b>		0.00	0.00
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(62,907.65)</b>	<b>(2,373,016.55)</b>
Cash and cash equivalents at 1 JULY	11	168,878.84	2,541,895.00
<b>Cash and cash equivalents at 30 JUNE</b>	11	<b>105,971.19</b>	<b>168,878.84</b>



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**11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	0
Transfers from County Govt.	-	-	-	-	-	0
Interest income	9,154,076.50	-	9,154,076.50	9,154,076.50	-	1
Other income	-	-	-	-	-	0
<b>Total income</b>	<b>9,154,076.50</b>	<b>-</b>	<b>9,154,076.50</b>	<b>9,154,076.50</b>	<b>-</b>	<b>1</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	-	-	0
Staff costs	-	-	-	-	-	0
General expenses	8,568.00	-	8,568.00	8,568.00	-	1
Finance cost	-	-	-	-	-	0
<b>Total expenditure</b>	<b>8,568.00</b>	<b>-</b>	<b>8,568.00</b>	<b>8,568.00</b>	<b>-</b>	<b>1</b>
<b>Surplus for the period</b>	<b>9,145,508.50</b>	<b>-</b>	<b>9,145,508.50</b>	<b>9,145,508.50</b>	<b>-</b>	<b>1</b>

## **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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 JUNE 2016**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

#### **b) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**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 2013/2020 was approved by the County Assembly on 30 June 2013. 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 zero on the 2013-2020 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 6.2 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 labor 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 does not create and maintains reserves in terms of specific requirements.

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

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

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

**12. Related parties**

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

**13. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the KCB Bank of Kenya.

**14. Comparative figures**

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

**15. Events after the reporting period**

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

**16. Ultimate and Holding Entity**

The entity is a County Public Fund established by the constitution of Kenya 2010 under the Ministry of Finance. Its ultimate parent is the County Government of Samburu.

**17. Currency**

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



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

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

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

**Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

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

**19. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KSh s</b>	<b>Impaired KShs</b>
<b>At 30 JUNE 2020</b>				
Receivables from exchange transactions	326,085,955.28	326,085,955.28	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	105,971.15	-	-	-
<b>Total</b>	<b>135,671,909.04</b>	<b>326,085,955.28</b>	-	-
<b>At 30 June 2019</b>				
Receivables from exchange transactions	324,757,523.63	324,757,523.63	-	-
Receivables from non exchange transactions			-	-
Bank balances	168,878.84	-	-	-
<b>Total</b>	<b>324,926,402.47</b>	<b>324,757,523.63</b>	-	-

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

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

The 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.

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

**c) 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:

	2020	2019
	KShs	KShs
Revaluation reserve	0.00	0.00
Revolving fund	<b>135,000,000.00</b>	<b>135,000,000.00</b>
Accumulated surplus	16,959,386.43	7,813,877.93
<b>Total funds</b>	<b>151,959,386.43</b>	<b>142,813,877.93</b>
Total borrowings	0.00	0.00
Less: cash and bank balances	105,971.15	168,878.84
Net debt/(excess cash and cash equivalents)	0.00	0.00
<b>Gearing</b>	0%	0%

**11.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Donation from development partners	0.00	0.00
Contributions from the public	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**2. Transfers from County Government**

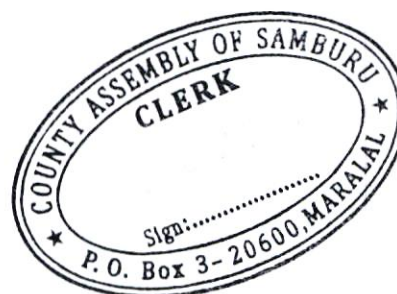
Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	135,000,000.00	135,000,000.00
Payments by County on behalf of the entity	0.00	0.00
<b>Total</b>	<b>135,000,000.00</b>	<b>135,000,000.00</b>

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Late payment penalties	0.00	0.00
Fines	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**4. Interest income**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage or car loans	9,154,076.50	7,817,520.43
<b>Total interest income</b>	<b>9,154,076.50</b>	<b>7,817,520.43</b>



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**5. Other income**

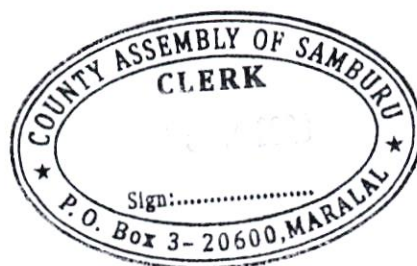
Description	FY2019/2020	FY2018/2019
	KShs	KShs
Insurance recoveries	0.00	0.00
Income from sale of tender documents	0.00	0.00
Miscellaneous income	0.00	0.00
<b>Total other income</b>	<b>0.00</b>	<b>0.00</b>

**6. Fund administration expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan processing costs	0.00	0.00
Professional services costs	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**7. Staff costs**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	0.00	0.00
Staff gratuity	0.00	0.00
Staff training expenses	0.00	0.00
Social security contribution	0.00	0.00
Other staff costs	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>



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

**8. General expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumables	0.00	0.00
Electricity and water expenses	0.00	0.00
Fuel and oil costs	0.00	0.00
Insurance costs	0.00	0.00
Postage	0.00	0.00
Printing and stationery	0.00	0.00
Rental costs	0.00	0.00
Security costs	0.00	0.00
Telecommunication	0.00	0.00
Hospitality	0.00	0.00
Depreciation and amortization costs	0.00	0.00
Other expenses	8,568.00	3,642.50
<b>Total</b>	<b>8,568.00</b>	<b>3,642.50</b>

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

**9. Finance costs**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest on Bank overdrafts	0.00	0.00
Interest on loans from banks	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**10. Gain on disposal of assets**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**11. Cash and cash equivalents**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	105,971.15	168,878.84
Others	-	-
<b>Total cash and cash equivalents</b>	<b>105,971.15</b>	<b>168,878.84</b>



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

		FY2019/2020	FY2018/2019
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1151162191	105,971.15	168,878.84
Bank B		-	-
<b>Sub- total</b>		<b>105,971.15</b>	<b>168,878.84</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>105,971.15</b>	<b>168,878.84</b>

**12. Receivables from exchange transactions**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	1,413,186.18	14,770,338.92
Current loan repayments due	49,740,875.40	44,982,767.69
Other exchange debtors	13,957,019.74	16,341,489.11
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>65,111,081.32</b>	<b>76,094,595.72</b>
<b>Non Current receivables</b>		
Long term loan repayments due	260,974,873.95	240,782,943.37
<b>Total Non current receivables</b>	<b>260,974,873.95</b>	<b>240,782,943.37</b>
<b>Total receivables from exchange transactions</b>	<b>326,085,955.28</b>	<b>316,877,539.09</b>

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

**13. Prepayments**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid rent	0.00	0.00
Prepaid insurance	0.00	0.00
Prepaid electricity costs	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**14. Inventories**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	0.00	0.00
Spare parts and meters	0.00	0.00
Catering	0.00	0.00
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0.00</b>	<b>0.00</b>

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**15. Property, plant and equipment**

	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 1<sup>st</sup> July 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>xxx</b>
Additions	0.00	0.00	0.00	0.00	xxx
Disposals	0.00	0.00	0.00	0.00	(xxx)
Transfers/adjustments	0.00	0.00	0.00	0.00	(xxx)
<b>At 30<sup>th</sup> June 2019</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>xxx</b>
<b>At 1<sup>st</sup> July 2019</b>					
Additions	0.00	0.00	0.00	0.00	xxx
Disposals	0.00	0.00	0.00	0.00	(xxx)
Transfer/adjustments	0.00	0.00	0.00	0.00	(xxx)
<b>At 30<sup>th</sup> June 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>xxx</b>
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2019	0.00	0.00	0.00	0.00	(xxx)
Depreciation	0.00	0.00	0.00	0.00	(xxx)
Impairment	0.00	0.00	0.00	0.00	(xxx)
<b>At 30<sup>th</sup> June 2020</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>xxx</b>
<b>At 1<sup>st</sup> July 2019</b>					
Depreciation	0.00	0.00	0.00	0.00	(xxx)
Disposals	0.00	0.00	0.00	0.00	xxx
Impairment	0.00	0.00	0.00	0.00	(xxx)
Transfer/adjustment	0.00	0.00	0.00	0.00	xxx
<b>At 30<sup>th</sup> June 2020</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>xxx</b>
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2019</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30<sup>th</sup> June 2020</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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**16. Intangible assets-software**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Cost</b>		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
<b>Amortization and impairment</b>		
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
Impairment loss	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
<b>NBV</b>	<b>0.00</b>	<b>0.00</b>

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Trade payables	0.00	0.00
Refundable deposits	4,232,540.00	4,232,540.00
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>4,232,540.00</b>	<b>4,232,540.00</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision utilised	0.00	0.00	0.00	0.00
Change due to discount and time value for money	0.00	0.00	0.00	0.00
Transfers from non -current provisions	0.00	0.00	0.00	0.00
<b>Total provisions</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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**19. Borrowings**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Balance at beginning of the period</b>	<b>0.00</b>	<b>0.00</b>
External borrowings during the year	0.00	0.00
Domestic borrowings during the year	0.00	0.00
Repayments of external borrowings during the period	0.00	0.00
Repayments of domestics borrowings during the period	0.00	0.00
<b>Balance at end of the period</b>	<b>0.00</b>	<b>0.00</b>

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

	FY2019/2020	FY2018/2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	0.00	0.00
Sterling Pound denominated loan from 'yyy organisation'	0.00	0.00
Euro denominated loan from zzz organisation'	0.00	0.00
<b>Domestic Borrowings</b>	0.00	0.00
Kenya Shilling loan from KCB	0.00	0.00
Kenya Shilling loan from Barclays Bank	0.00	0.00
Kenya Shilling loan from Consolidated Bank	0.00	0.00
Borrowings from other government institutions	0.00	0.00
<b>Total balance at end of the year</b>	<b>0.00</b>	<b>0.00</b>

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Short term borrowings(current portion)	0.00	0.00
Long term borrowings	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

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

**20. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0.00	0.00	0.00	0.00
Non-current benefit obligation	0.00	0.00	0.00	0.00
<b>Total employee benefits obligation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**21. Cash generated from operations**

	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Surplus for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	0.00	0.00
Gains/ losses on disposal of assets	0.00	0.00
Interest income	9,154,076.50	7,817,520.43
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>9,154,076.50</b>	<b>7,817,520.43</b>

**22. Related party balances**

**a) Nature of related party relationships**

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

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

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**b) Related party transactions**

	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from related parties'	0.00	0.00
Transfers to related parties	0.00	0.00

**c) Key management remuneration**

	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**d) Due from related parties**

	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	0.00	0.00
Due from County Government	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**e) Due to related parties**

	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	0.00	0.00
Due to County Government	0.00	0.00
Due to Key management personnel	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Court case against the Fund	0.00	0.00
Bank guarantees	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

*(Give details)*

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