REPUBLIC OF KENYA

OAG

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

THARAKA NITHI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND

FOR THE YEAR ENDED 30 JUNE, 2020

THARAKA NITHI COUNTY ASSEMLY CAR LOAN & MORTAGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED
JUNE 30, 2020

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

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

County Assemblies are established pursuant to Article 176(1) of the Constitution of Kenya. Accordingly, Section 12 of the County Government Act establishes County Assembly Service Board for each County Government. Among the functions bestowed upon County Assembly Service Board is preparation of Annual Financial Estimates of expenditure, exercising budgetary control and performing other functions prescribed by the National Legislation.
Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee Member for finance to establish County Public Funds with the approval of the County Executive Committee and the County Assembly. Section 7 requires the Fund Administrator of a County Public Fund to prepare Accounts for each Financial Year and submit them to the Auditor with copies to the relevant offices.

b) Principal Activities

The Principal Activity for the County Assembly Revolving Members Scheme Fund is to disburse loans to the Members of the Tharaka Nithi County Assembly to facilitate them acquire residential property (Mortgage Loan) and motor vehicles (Car Loan)

Tharaka Nithi County Assembly Fund management committee has its Principal activity/mandate/vision, mission and core values as highlighted below:

Vision
To be a supreme, effective, efficient and self-sustaining County Assembly Fund management committee as a major participant in the process of good governance

Mission
To facilitate members of Tharaka Nithi County Assembly fund management committee to efficiently and effectively fulfil the constitutional mandate in a representative system of devolved government

Core Values
a) Professionalism and Team Work
b) Accountability
c) Transparency and Integrity
d) Courtesy
e) Efficiency and Responsiveness
f) Prudent use of Resources

c) Fund Administration Committee

Ref	Name	Position
1	Hon. John David Mbaya	Chairperson
2	Hon. Peterson Mwirigi	Member
3	Hon. Erastus Kinyua	Member
4	Hon. Wilson Nyaga	Member
5	Amos KiangweSikweya	Member
6	Catherine Njeri	Member
7	Purity kawira njeru	Member
8	Murithi kanampiu	Member

d) Key Management

Ref	Name	Position
1	Amos KiangweSikweya	Clerk of the Assembly
2	Purity Kawira Njeru	Director Finance

e) Registered Offices

Tharaka Nithi County Assembly
P.O. Box 694
Chuka, Kenya

f) Fund Contacts

Telephone: 202399828
E-mail: tharakanithicountyassembly@gmail.com
Website: Http://.tharakanithica.go.ke
Website: www.xxx.go.ke

g) Fund Bankers

1. Kenya Commercial Bank
   P.O Box 4
   Chuka,
   Kenya

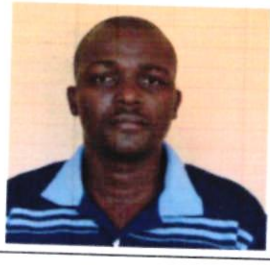
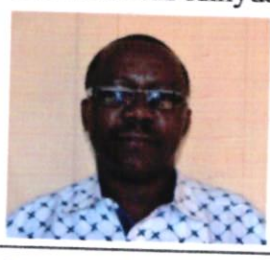
h) Independent Auditors

Auditor General
Office of the 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

2. FUND MANAGEMENT COMMITTEE

Name	Details of qualifications and experience
1. Hon. David John Mbaya 	Speaker of the County Assembly of Tharaka Nithi and the Chairperson to the Car loan and Mortgage Committee. He is also the Chairman to the County Assembly Service Board. He is holder of Bachelor of Laws. He was born 4th November 1966. He has over 15 years working experience.
2. Hon. Peterson Mwirigi 	The Majority Leader and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi. He is holder of Diploma in public relations. He was born on 17th March 1981. He has over 15 years working experience.
3. Hon. Erastus Kinyua 	The Minority Whip and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi. He is holder of Diploma in Business Management. He was born on 1st January 1973. He has over 15 years working experience.
4. Hon. Wilson Nyaga 	The Minority Leader and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi. He is holder of Bachelor of Business Administration in corporate leadership& governance. He was born on 21st November 1974 He has over 15 years working experience.
5. Amos Kiangwe Sikweya 	Clerk of the County Assembly of Tharaka Nithi and the Fund Administrator He is holder of Master degree of Arts public policy and administration. Born on 9th December 1983. He has over 10 years working experience.

6. Catherine Njeri 	She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Director Human Resource Officer. She represents the staff as the management staff member of the committee She is a member of CHRP and IHRM. She is holder of Master of Business Administration. She was born on 16 August 1973 He has over 15 years working experience.
7. Purity Kawira Njeru 	She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Director finance & Accounts. She is a holder of Master's degree of science in finance and CPK finalist. She was born on10th November 1987 He has over 10 years working experience.
8. Murithi Kanampiu 	He is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Head of Legal department. He is an advocate of Higher Court and Holder of Bachelor's degree in Law and Four years working experience. He was born on May 13 1989.

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key mandate of the County Assembly of Tharaka Nithi is legislation, oversight, and representation. To achieve this, the assembly's program was documented in terms of objective, key performance indicators, and output.

Below were the expected outputs of the assembly in FY 19/20

The County Assembly of Tharaka Nithi in enhancing their mandate undertook trainings, which enabled them to achieve the following:

1. Business Generation for the House Business in terms of Committee Reports on various issues affecting the County, Motions, Statements and Petitions.

2. Budget and Budgetary Processes in terms of scrutiny and approval of Budgetary documents such a CIDP, ADP, CFSP & Budget Estimates.

3. Law making Process and Bills Development where the County Assembly has approved the following Bills:

   i. Tharaka Nithi County Finance Bill, 2019

   ii. Tharaka Nithi County Climate Change Bill, 2019

   iii. Tharaka Nithi County Persons with Disability Bill, 2020

   iv. Tharaka Nithi County Tea Bill, 2020

In addition, the County Assembly approved The Kathwana Municipality: Urban Development Policy

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Amos KiangweSikweya 	Clerk of the County Assembly of Tharaka Nithi and the Fund Administrator He is holder of Master degree of Arts public policy and administration. Born on 9th December 1983. He has over 10 years working experience
2. Purity Kawira Njeru 	She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Director finance & Accounts. She is a holder of Master's degree of science in finance and CPK finalist. She was born on10th November 1987 He has over 10 years working experience.

5. FUND CHAIRPERSON'S REPORT

The Car loan and Mortgage Scheme Fund was established pursuant to the Salaries and Remuneration Circular No. SRC/TS/WB/3/14 of 14th February, 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of the Annual Financial Statements. The fund is managed internally by the County Assembly of Tharaka Nithi and will effectively run the Fund with the professionalism required.

The Tharaka Nithi County Assembly Fund Account was funded by transfers of monthly repayments from members and staff of the County Assembly from the repayment account amounting to Kshs. 27,305,676 for the year ended 30th June 2020. The county assembly utilised the funds on car loan and mortgage loan to members and staff amounting to Kshs. 6,340,000

Signed: ______________________

Speaker of the County Assembly

6. REPORT OF FUND ADMINISTRATOR

Section 116(7) of the Public Finance Management Act, 2012 requires the administrator to prepare financial statements in respect of that County Assembly Fund Account, which give a true and fair view of the state of affairs of the County Assembly Fund Account at the end of the financial year and the operating results for that year. The members of Fund management committee are outlined on page 5 and 6 respectively. During the year under audit the fund realised a deficit of Kshs 353,392 from its operations.

This responsibility includes:

- **i)** Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- **ii)** Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- **iii)** Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- **iv)** Safeguarding the assets of the County Assembly;
- **v)** Selecting and applying appropriate accounting policies; and
- **vi)** Making accounting estimates that are reasonable in the circumstances.

Signed: ____________________

Amos Kiangwe Sikweya

7. CORPORATE GOVERNANCE STATEMENT

The Fund is committed to applying best practices in all aspects of corporate governance as guided by Tharaka County Assembly Housing Fund Regulations 2017 and Tharaka County Assembly Car Loan Fund Regulations 2017. The Act requires the Fund to have Fund Management Committee:

i). Fund Management Committee

The Fund Management committee comprises nine members as disclosed in pages 5 to 6. The membership is included in the regulations which require the speaker to be the chairperson and the clerk to be the Fund administrator

Meetings of the Fund Management Committee

The meetings of the Fund management committee are held at least once every quarter in a financial year.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review the Fund realized interest income of Kshs.3,130,972 a decrease from previous year interest income of Kshs.3,906,067. This was due repayment of loans which resulted decrease in outstanding principal and hence interest being charged on decreasing outstanding loan principal. The Fund had deficit of Kshs.353,392 compared to previous year's surplus of Kshs.3,219,317

This surplus was used in the capital projects as the Fund was not allocated any development money in the financial year 2019-2020.

Compliance with statutory requirements
The Fund has complied with all the statutory rules and regulations and has not been penalized in the year under review.

Major Risks
The Fund was not exposed to any major risk that could have affected its operation in the course of the year under review.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENTS/SUSTAINABILITY REPORTING

During the year the fund did not carry out any activity on corporate social responsibility activities

10. REPORT OF THE FUND MANAGEMENT COMMITTEE

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

Principal activities

The principal activities of the Fund is to disburse loans to the Members of the Tharaka Nithi County Assembly to facilitate them acquire residential property (Mortgage Loan) and motor vehicles (Car Loan)

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 17

Fund Management Committee

The members of the Fund Management Committee who served during the year are shown on page 3. The changes in the management committee 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.

By Order of the Fund Management Committee

Member of the Fund Management Committee

Date: 30 September 2020

11. 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 *(Tharaka Nithi county assembly housing fund regulation 2017 and Tharaka Nithi County Assembly staff car loan fund regulations, 2017)* 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, 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 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 *(Tharaka Nithi county assembly housing fund regulation 2017 and Tharaka Nithi County Assembly staff car loan fund regulations, 2017)*. 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 ________________ 2020 and signed on its behalf by:

____
Administrator of the County Assembly Public Fund

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

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Enhancing Accountability

HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THARAKA NITHI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka Nithi County Assembly Car Loan and Mortgage Fund set out on pages 17 to 43, which comprise the statement of financial position as at 30 June, 2020, and the statement financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tharaka Nithi County Assembly Car Loan and Mortgage Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017 and Public Finance Management (Tharaka Nithi County Assembly Staff Car Loan Fund) Regulations, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non- Repayment of Loans

The statement of financial position as at 30 June, 2020 reflects long-term receivables from exchange transactions balance of Kshs.83,097,552 which includes Kshs.2,048,994 and Kshs.4,682,195 in respect to car loan to three (3) members of staff and housing loan to two (2) other members of staff respectively, totalling to Kshs.6,731,189. However, a review of the loan repayment schedules provided revealed that the Kshs.6,731,189 was not being repaid.

Further, included in the balance of Kshs.83,097,552 is Kshs.3,503,373 and Kshs.1,133,395 in respect to housing loan to one (1) member of staff and staff car loan to another member of staff both totalling to Kshs.4,636,768 whose last loan repayment was made in June, 2018 and August, 2017 respectively. However, the two (2) officers have left the service and it was not clear how the outstanding amount will be recovered from the two (2) officers.

In the circumstances, the recoverability of the unpaid loans amounting to Kshs.11,367,957 is doubtful and may result to loss of public funds.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tharaka Nithi County Assembly Car Loan and Mortgage 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Long Term Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2020 reflects Kshs.83,097,552 in respect to long-term receivables from exchange transactions. However, review of documents provided for audit revealed that the Management had not registered a charge on properties and taken protection and fire policies with an insurance firm on all properties financed through loans granted. This is contrary to Sections, 15(1) and 16(1) of the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulation, 2017 which stipulates that the Assembly shall register a charge on any property financed through a loan granted under these Regulations and maintain a mortgage protection policy and fire policy with an insurance firm approved by the board, the cost of which shall be paid out of the fund and debited in the borrower's account.

In the circumstances, the Fund is in breach of the law.

2. Lack of an Approved Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects nil balances in respect to approved revenue and expenditure budgets. and the Fund Management did not provide an approved budget for the financial year 2019/2020. This is contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 that requires the Accounting Officer to prepare estimates of the expenditure of the entity in conformity with strategic plan.

In the circumstances the Fund is in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Use of Manual Records

Note 9 to the financial statements reflects Kshs.83,097,552 in respect to long term receivables from exchange transactions. However, the Management maintains manual records for each member and using Microsoft excel worksheet instead of a loan management software. The use of the manual system requires manual calculation of interest and loan balances by the human resource officers and constant monthly and/or annual updates of the data which could be prone to human error and manipulation.

In the circumstances, the internal controls and risk management on the balances computed manually could not be ascertained.

2. Non-Effectiveness of Internal Audit Function

As reported in the previous year, Tharaka Nithi County Assembly Car Loan and Mortgage Fund is managed by the County Assembly. Although, the Assembly has an internal audit function in place, there were no internal audit reviews performed on the Fund during the year.

In the circumstances, the effectiveness of the internal audit function and the enhancement of controls over the Fund Management have not been realized.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall 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, and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or 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 Tharaka Nithi County Assembly Car Loan and Mortgage Fund's 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 Tharaka Nithi County Assembly Car Loan and Mortgage Fund's 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 with limited assurance as to 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 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 noncompliance. 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 Tharaka Nithi County Assembly Car Loan and Mortgage 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Tharaka Nithi County Assembly Car Loan and Mortgage Fund's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Tharaka Nithi County Assembly Car Loan and Mortgage Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Tharaka Nithi County Assembly Car Loan and Mortgage Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

11 February, 2022

14. FINANCIAL STATEMENTS

14.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies		-	-
		-	-
Revenue from exchange transactions			
Interest income	3	3,130,972	3,906,067
Other income		-	-
		-	-
Total revenue		3,130,972	3,906,067
Expenses			
Fund administration expenses	5	2,089,135	187,248
Employee cost	6	1,394,164	479,024
Finance costs	7	1,065	20,478
Total expenses		**3,484,364**	**686,750**
Surplus/(deficit) for the period		**(353,392)**	**3,219,317**

The notes set out on pages 37 to 41 forms an integral part of these Financial Statements

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	8	35,008,326.	14,396,042
Current portion of long- term receivables from exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
		-	-
Non-current assets			
Property ,plant and equipment		-	-
Current Receivable			-
Long term receivables from exchange transactions	9	83,097,552	104,063,228
		-	-
Total assets		**118,105,878**	**118,459,270**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets		-	-
Revolving Fund	10	100,974,460	100,974,460
Reserves		-	-
Accumulated surplus		17,131,418.	17,484,810
Total net assets and liabilities		**118,105,878**	**118,459,270**

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 08 September, 2020 and signed by:

Administrator of the Fund
Name: Amos Kiangwe Sikweya

Fund Accountant
Name: Purity Kawira Njeru
ICPAK Member Number:18093

13.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	100,974,460		14,265,493	115,239,953
Surplus/(deficit) for the period	-	-	3,219,317	3,219,317
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	**100,974,460**	-	**17,484,810**	**118,459,270**
Balance as at 1 July 2019	**100,974,460**	-	**17,484,810**	**118,459,270**
Surplus/(deficit)for the period		-	(353,392)	(353,392)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	**100,974,460**	-	**17,131,418**	**118,105,878**

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

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Interest received	3	3,130,972	3,906,067
Total Receipts		**3,130,972**	**3,906,067**
Payments			
Fund administration expenses	5	2,089,135	187,248
Employees cost	6	1,394,164	479,024
Finance cost	7	1,065	20,478
		3,484,364	**686,750**
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	1	-	-4,596,949
Increase/(Decrease) in Accounts Payable: (deposits and retention)	1	-	5,482,824
			885,875
Net cash flows from operating activities		**(353,392)**	**4,105,192**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(-)	(-)
Proceeds from loan principal repayments	2	27,305,676	25,969,559
Loan disbursements paid out	4	(6,340,000)	(20,596,500)
Net cash flows used in investing activities		**20,965,676**	**5,373,059**
Cash flows from financing activities			
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		**20,612,284**	**9,478,251**
Net increase/(decrease)in cash and cash equivalents		-	**(-)**
Cash and cash equivalents at 1JULY	8	14,396,042	4,917,791
Cash and cash equivalents at 30 JUNE	8	**35,008,326**	**14,396,042**

14.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.						
Interest income	-	-	-	3,130,972	(3,130,972)	0.00%
Other income	-	-	-		-	
Total income	-	-	-	3,130,972	(3,130,972)	
Expenses						
Fund administration expenses	-	-	-	2,089,135	(2,089,135)	0.00%
Employees cost	-	-	-	1,394,164	(1,394,164)	0.00%
Finance cost	-	-	-	1065	(1065)	0.00%
Total expenditure	-	-	-	**3,484,364**	**(3,484,364)**	
Surplus for the period	-	-	-	**353,352**	**353,352**	

Budget notes

There no capital amount for the mortgage and car loan for the year 2019/2020

14.6. 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 2020

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.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement

Standard	**Effective date and impact:**
	model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual

Standard	Effective date and impact:
	basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved **c)** IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalue assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

c) Early adoption of standards

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

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 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 actual as per the statement of financial performance has been presented under section of these financial statements

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

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. Changes in accounting policies and estimates

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 impressts 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 Tharaka Nithi County Assembly Housing Fund Regulations, 2017 and Tharaka Nithi County Assembly Car Loan Fund Regulations, 2017 under the County Assembly. Its ultimate parent is the County Assembly of Tharaka Nithi

20. Currency

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	-	-	-	-

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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	-	-	-	-

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

		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)	-	-	-

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

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.

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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2019/2020	2018/2019
	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	-%	-%

14.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

2. Proceeds from loan principal repayments

Description	2019/2020	2018/2019
	KShs	KShs
Loan principal repayments	27,305,676	25,969,559
Total	**27,305,676**	**25,969,559**

3. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage and car loans	3,130,972	3,906,067
Interest income from car loans	-	-
Interest income from investments	-	-
Total interest income	**3,130,972**	**3,906,067**

4. Loan disbursements paid out

Description	2019/2020	2018/2019
	KShs	KShs
Loan granted	6,340,000	20,596,500
Income from sale of tender documents		
Total other income	**6,340,000**	**20,596,500**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	2,089,134.85	187,248
Total	**2,089,134.85**	**187,248**

6. Employees cost

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs/Committee allowances	1,394,164	479,024
Total	**1,394,164**	**479,024**

7. Finance cost

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Printing and stationery	-	-
Rental costs	-	-
Telecommunication	-	-
Bank Charges	1,065	20,478
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	**1,065**	**20,478**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Fund Account	3,604,136	2,704,400
Repayment Account	31,404,190	11,691,642
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Total cash and cash equivalents	**35,008,326**	**14,396,042**

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

		2019/2020	2018/2019
Financial institution	**Account number**	**KShs**	**KShs**
a) **Fixed deposits account**			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank		-	
Equity Bank – etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1155825268	3,604,136	2,704,400
Bank B	1157609368	31,404,190	11,691,642
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Long term Receivables

Description	2019/2020	2018/2019
	KShs	KShs
Receivables		
Long Term Receivables	54,297,552	104,063,228
Current Receivable	28,800,000-	-
	-	-
Total Receivables	**83,097,552**	**104,063,228**
Non-Current receivables		
Long term receivable		-
Total Non- current receivables	-	-
Total receivables from exchange transactions		

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	--
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

10. REVOLVING FUND	**KShs**	**KShs**
Description	**2019/2020**	**2018/2019**
	KShs	**KShs**
Balance b /f	100,974,460	85,974,460
Transfer from county treasury	-	15,000,000
Total	**100,974,460**	**100,974,460**

15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The report of the Auditor General for the year ending 30th June 2019 have not been received as at the time of compiling this report hence the required issues in the report cannot be indicated..

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)*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. 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