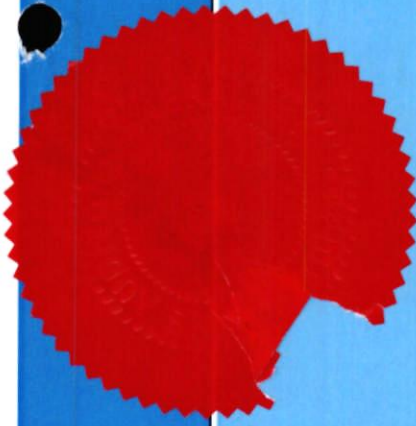
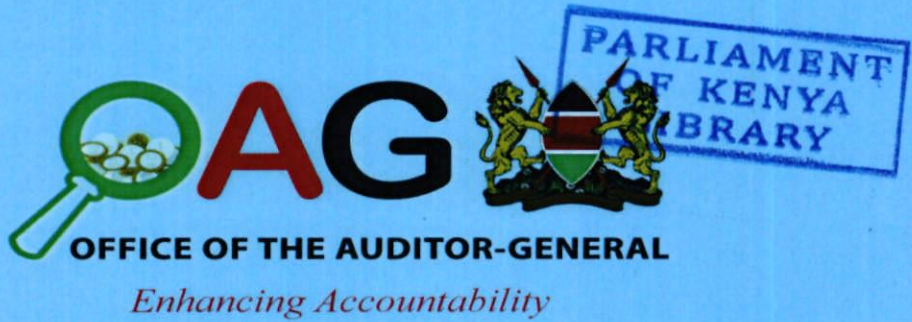


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REPUBLIC OF KENYA



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REPORT

OF

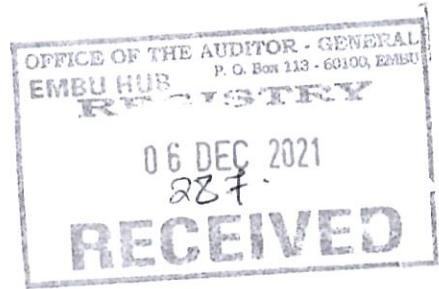
THE AUDITOR-GENERAL

ON

**MARSABIT COUNTY ASSEMBLY CAR AND
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**





MARSABIT COUNTY ASSEMBLY CAR & MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021.

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

**Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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**Marsabit County Assembly Car & Mortgage scheme Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Car and mortgage Fund was established by and derives its authority and accountability from Section 116 of the Public Finance Management Act (2012) (THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 & THE MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND) REGULATIONS, 2014 with subsequent edition in 2017). The Fund is wholly owned by the County Assembly of Marsabit and is domiciled in Kenya.

The objective of the fund is twofold: to provide a loan scheme for the purchase of vehicles by members of the scheme, and to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme. In so doing, the fund intends to facilitate Members of County Assembly to acquire a personal means of transport that enables them to move from their area of residence to the office and also have a decent shelter.

The principal activity of the Fund is to provide loan scheme for purchase of vehicles, development and/or renovation/repair of residential property by members of the scheme. All members of the County Assembly are eligible for the scheme loans both for acquisition of personal car or building or purchasing a residential house.

The cost of purchasing a single family home has risen in relation to incomes particularly in larger metropolitan areas and in faster growing regions of the country. The conveniences to traverse a vast County as well as Wards have also necessitated the ownership of a personal motor vehicle by the Members of the County Assembly (MCAs). Therefore, the County Assembly of Marsabit have recognized these critical needs and hence established a fund that provided their Members with financial assistance to help purchase and finance their primary residences and motor vehicles through SRC¹ guided scheme loans.

The fund has been deposited at the Cooperative bank, Marsabit branch. The total fund is Kenya Shillings One hundred and Seventy Million (170M) where 100M was slated for Mortgage scheme and 70M for Car loan scheme. The Fund has been established in a manner that it is revolving in nature so that by the end of every political term, the members borrowing are fully recaptured.

b) Principal Activities

The principal activity of the Fund is to lend to members the scheme loans i.e. Mortgage and Car loan. This function includes receiving of applications, appraisal of applications, committee decision, disbursement of loans, recoveries of advanced monies, monitoring and evaluation of fund performance, enforce compliance, undertake loan clearance when due, and prepare reports as required.

c) Vision

To be an excellent fund that prospers its members and spurs growth within its membership.

d) Mission

To provide our members with superior ownership experience through innovative, affordable, and competitive loan products that fulfils the dream of home and car ownership.

Core Objectives

**Marsabit County Assembly Car & Mortgage scheme Fund
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The objectives of the Scheme established shall be to provide loan scheme for Members of County Assembly and Senior staff for purchase of an existing residential property; purchase of land and construction; construction; Renovation and improvement of an existing residential property; takeover of loans on existing mortgages or equity release; and purchase of motor vehicle.

e) Fund Administration Committee

Ref	Name	Position
1	Hon. Halkano Konso	Chairman
2	Hon. Buke Diba	Member
3	Hon. Stephen Sora	Member
4	Hon. James Korie	Member
5	Hon. Daud Tamagot	Member
6	Hon. Tura Ruru	Member
7	Hon. Zamzam Hussein	Member

f) Key Management

Ref	Name	Position
1.	Mahmoud Kamaya	Clerk/Secretary (CASB)
2.	CPA Chare Mato	Director-Finance
3.	Jarso Roba	Director-Human Resource
4.	Adan Katelo	Principal Procurement Officer
5.	CPA Fredrick Injela	Principal Accountant
6.	Bokayo Guyo	Senior Legal Officer
7.	Arbe Galgallo	Committee Clerk

g) Registered Offices

The Mortgage and Car Loan committee and management team are all stationed at the Marsabit County Assembly premises for the discharge of loan matters.

County Assembly of Marsabit
P.O. Box 29 – 60500,
Marsabit

h) Fund Contacts

E-mail: info@countyassemblyofmarsabit.co.ke
Website: www.assembly.marsabit.go.ke

i) Fund Banker

Co-operative Bank Limited
Marsabit Branch, Kenya

j) Independent Auditors

Marsabit County Assembly Car & Mortgage scheme Fund
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For the year ended June 30, 2021.

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





k) Principal Legal Advisor

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



**Marsabit County Assembly Car & Mortgage scheme Fund
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For the year ended June 30, 2021.**

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

All the fund committee members are independent in terms of appointment as well as the fund decisions. The membership consists of seven Members of County Assembly as detailed below.

Name	Details of Qualifications and Experience
<p>1. Hon. Halkano Konso</p> 	<p>Chairman of Mortgage and Car Loan Committee from the onset of Second County Assembly. He is an elected member and he serves as a Leader of Majority in the County Assembly. Official record indicates that he was born on 31/12/1978. He holds a BA – Finance & Accounting and a Master of Arts degree in Procurement & Contract Management. He boasts of twelve years of service in private and public entities where among those he served as a head of procurement at the County Government of Tana River and also a professional at Kenya Urban Roads Authority.</p>
<p>2. Hon. Buke Diba</p> 	<p>Member of Mortgage and Car Loan Committee from the onset of Second County Assembly. He was born on 01/07/1967. He is an elected member and he serves as the Leader of Minority at the County Assembly. He holds a Diploma in Medical Laboratory, BSC – Biomedical Science. He was a career public servant in the health ministry spanning over twenty two years until he was elected in to Assembly as an MCA.</p>
<p>3. Hon. Stephen Sora</p> 	<p>Member of Mortgage and Car Loan Committee from the onset of Second County Assembly. Official records indicate that he was born on 13/01/1979. He is an elected member of County Assembly and Chairman of Education Committee. He holds a Diploma in Science Education and a Bachelor of Education in Science degree. He was a teacher for about eleven years until 2013 when he was appointed a Chief Officer at the County Government of Marsabit, a position he served up to the time he was elected as an MCA in 2017.</p>
<p>4. Hon. James Korie</p> 	<p>Member of Mortgage and Car Loan Committee from the onset of Second County Assembly. He is an elected member of County Assembly and also a Majority Chief Whip. His official records show that he was born on 31/12/1968. He holds a Diploma in Theology. He was a pastor and a businessman up until he was elected as an MCA in 2017.</p>
<p>5. Hon. Daud Tamagot</p>	<p>Member of Mortgage and Car Loan Committee from the</p>

**Marsabit County Assembly Car & Mortgage scheme Fund
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Name	Details of Qualifications and Experience
	<p>onset of Second County Assembly. Official records indicate that he was born on 01/07/1967. He is a Chairman of Budget & Appropriations Committee. He holds a Diploma in Animal Health. He served as a humanitarian personnel for over thirteen years up until he was elected an MCA during the First County Assembly.</p>
<p>6. Hon. Tura Ruru</p> 	<p>Member of Mortgage and Car Loan Committee from the onset of Second County Assembly. He is the Deputy Majority Leader. Office records show that he was born on 25/12/1972. He holds a Diploma in Science and Technical Education and Bachelors' Degree in Wood Science technology. He was a lecturer in a technical college until 2013. He was appointed as technical schools principal in 2015 at the County Government of Marsabit, a position he served up to 2017 elections, where he got elected as an MCA.</p>
<p>7. Hon. Zamzam Hussein</p>	<p>Member of Mortgage and Car Loan Committee from the onset of Second County Assembly. As per file records, she was born on 03/01/1971. She served in the First County Assembly as a nominated member, a position for which she received a re-appointment in 2017.</p>

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

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

The County Assembly of Marsabit Car Loan & Mortgage Scheme's main objective is to give loans to members for facilitation of the following;

- a) Purchase of vehicles; and
- b) The purchase, development, renovation or repair of residential property





During the year under review we experienced some challenges such as the Covid-19 pandemic which led to restrictions of movements hence hindering the committee from conducting a training seminar.

During the year under review, a total of KES 65,375,440 was disbursed to thirty one beneficiaries as car grant.




The fund is generally performing well given the timely recoveries of loans through the IPPD² system. The system in itself safeguards the loan by way of priority deduction hence unlikely chance of default arising from affordability problems associated with salaries.

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. MOHAMUD KAMAYA</p> 	<p>Clerk of the County Assembly and a Secretary to the County Assembly Service Board. Being the Chief Executive Officer, all matters of responsibility and accountability of the fund rests with his office.</p> <p>Works in liaison with the Mortgage and Car loan Committee to ensure effective management of scheme loans.</p>
<p>2. JARSO ROBA</p> 	<p>Director of Human Resource Management at the County Assembly. Holds a Master Degree of Business Administration. Has been in the career for the last thirteen years with five years being at the County Assembly.</p> <p>Oversees the general administration of Mortgage and Car loan fund in terms of application, appraisal, disbursement and monitoring of recoveries.</p>
<p>3. FREDRICK INJELA</p> 	<p>Head of Accounts at the County Assembly also doubling up as an Accountant for the Mortgage and Car loan scheme fund. He holds CPA(K) and pursuing a Bachelor's Degree in Accounting. Have served in this career in the public service for the last twenty seven years, five of which is at the County Assembly.</p>
<p>4. BOKAYO GUYO</p> 	<p>Senior Legal Officer in charge of the Legal, Legislative and Procedural services within the County Assembly. A member of Mortgage and Car loan scheme management team. Served in this capacity for the last four years. Holds a Bachelor's degree in Law and graduate of Kenya School of Law. Also an advocate of high court of Kenya.</p> <p>She offers technical legal support to the M&CL³ committee so as to enforce compliance and mitigate risks.</p>

**Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
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<p>5. CHARE MATO</p> 	<p>The Director of Finance, Accounts and Supply chain Management services. Holds a Master Degree in Finance and a certified Accountant (CPA-K⁴). Have served in this capacity since the year 2014 but fifteen years in the Accounting career. A management member of the M&CL scheme providing key technical financial advice to the committee.</p>
<p>6. ADAN KATELO</p> 	<p>Head of procurement function at the County Assembly. Holds a Master Degree in Supplies Chain Management. Have served in this capacity since the year 2014. A member of team managing M&CL scheme by way of offering technical support.</p>
<p>7. ARBE GALGALLO</p> 	<p>A Committee Clerk attached to M&CL committee of the County Assembly. Holds a Bachelor's Degree in Development Studies. Have served in this capacity since the year 2015. Offers secretarial and clerical support to the M&CL committee in terms of agenda preparation, issue meeting notices, minute preparation, perform amortization, prepare loan disbursement and recovery schedules, and records management among others.</p>

**Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

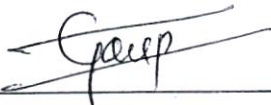
The Mortgage and Car loan Scheme is a great blessing to the Members of County Assembly as it provided ready access to twin benefits; Mortgage and Car Loan. During the year under review, a total of KES 65,375,440.00 was disbursed as car grant to the Speaker and all MCAS.

The fund is generally performing well given the timely recoveries of loans through the IPPD⁵ system. The system in itself safeguards the loan by way of priority deduction hence unlikely chance of default arising from affordability problems associated with salaries. A surmountable challenge is also being faced in matters of compliance where some borrowers have to-date not committed to joint ownership required for car loan. Time lapse for this compliance has been a serious issue but effort is being made through a committee's resolve to enforce the borrowers' obligations and undertakings. Loan insurances have also been secured under credit life policy and is validly running on annual basis.

The fund need to be enhanced so that it incorporates the request by staff of the county assembly wishing to be granted similar benefits as already guided by Salaries and Remuneration Commission. Funds allowing, the committee is looking forward to participate in community social responsibility with a view to plough back to the society. Future budget is also expected to factor car grant as well as replenishment of the car loan fund back to its original fund level.

Whereas the members benefit from these scheme loans, the committee under my leadership will endeavour to sustain gains without compromise on public funds as regards default, security and recoveries. It is therefore my pleasure to submit this report.

Signed: _____



HON. HALKANO KONSO

CHAIRMAN, MORTGAGE & CAR LOAN COMMITTEE

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

I have the pleasure to forward this annual Scheme Loan Report of the County Assembly of Marsabit. The report is prepared pursuant to corporate belief and operational value which requires the Committee to prepare and present for accountability, a report of its operations for the financial year 2020/21. The report covers the activities of the Committee as far as loan disbursement and recoveries are concerned.

I am delighted to inform you that the Committee has managed the scheme loans in a way that earns public trust and ensured effective recovery of the advanced loans as prescribed. The loan disbursement for the Second County Assembly started in November 2017. During the year 2020-21, there was only car grant issued to the Members of the County Assembly and the Speaker at a total of KES 65,375,440.

Whereas the initial loans were disbursed procedurally, the committee needs a comprehensive guideline on effective loan management covering loan cycles, responsibilities, documentation and required reports among others. Such guide will help the members of the committee to quickly refer on a matter of interest and consequently make informed decisions. Whereas it may be important to embrace the spirit of flexibility, I urge the committee to earnestly pursue full compliance with the provisions of the Scheme Regulations especially on matters of loan securities.

Finally, may I urge the County Assembly M&CL committee to fast track the replenishment of the car loan fund through the annual budgetary allocation since previous provision has been exhausted as a result of issuance of car grants to MCAs.

Signed:  _____

JARSO ROBA: AG FUND ADMINISTRATOR

7. CORPORATE GOVERNANCE STATEMENT

Matters of M&CL scheme are appropriated by the designated committee alone. In this regard, the M&CL committee have held 38 sittings to discuss and approve/disapprove various loan applications among other agendas. The scheme regulations approved by the County Assembly has provided elaborate ways of establishing a committee with defined membership consisting of the Leader of majority (Chairperson), Leader of Minority, Chairperson of Budget committee, Majority Whip, Minority whip, other four MCAs for special interests and the Clerk of the County Assembly. The outlined position holders are by default members of the committee.

The core mandate of the committee is to manage loans with respect to approvals. This mandate includes issues of receiving applications, appraisal of applications and ultimate consideration of applications based on its merits.

Traditionally, the committee is bound to undergo at least one training in a year with a focus on improving scheme loan management and performance. The training content usually features matters of prudent public finance management which ranges from procedural approvals to effective securities and recoveries. Nevertheless, this committee have not gone for any relevant training in the last financial year owing to budget and COVID19 reasons. Committee capacity building however remains a critical need.

As prescribed by the SRC, the committee members are granted sitting allowances for every sitting they hold. The sitting is regulated by a quorum and usually payment is dictated by attendance of the members. At a point where a conflict of interest is suspected, for instance, where a committee member's application is being discussed, the committee by practice asks the member to excuse himself/herself from the meeting as the matter is discharged without any reference to the applicant.

The committee activities in terms of fund expenditure by way of loan disbursements, training facilitation or sitting allowances are all subject to government audit. The records of loans and bank statements are subjected to audit every end of financial year. This undertaking is solely done not only because it is a statutory requirement but also to ensure financial accountability of the committee.

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund is generally performing well as we managed to pay car grant totalling to Ksh 65,436,440 to the Members of the County Assembly and the speaker. Further during the year under review the fund earned an interest of Kshs 1,710,103.40.

The mortgage committee normally attends training during the year but due to Covid-19 constraints they were not able to proceed for any training.

During the year under review no loan was disbursed instead car grants were issued.

The following tables shows a comparison between the previous year 2019-2020 and the current year 2020-2021 for the interest and principal (Current portion of long term receivables)

S/NO	DESCRIPTION	FY19-20	FY20-21
1.	Interest	2,723,377	1,710,103
2.	Current portion of long term receivables	35,429,340	36,388,190

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability Strategy and Profile

Marsabit County Assembly has made various sustainable efforts that focus on service delivery to the citizen. The strategic area of focus for service delivery includes but not limited to:

- Legislative Services
- Oversight Role
- Committee Services
- Staff Management and development
- Physical infrastructure development
- Financial Resource Management
- Application of ICT in all our processes

2. Environmental performance

Marsabit County Assembly works towards the Health and Safety measures that aims at prevention and protection of officers against accidents and occupational hazards arising at workplace as well as reduce the environmental impact of the institution activities and products.

The Assembly have put in place measures to prevent and mitigate against accidents, explosions, fire, floods, earthquakes, bomb threats and prepared procedures to be followed in such events. We have a Fire assembly point in case there is occurrence of Fire and the employees have been briefed on its importance

3. Employee welfare

Marsabit County Assembly has committed to ensuring that employee welfare is taken into consideration to ensure maximum efficiency and effectiveness. Amongst the welfare opportunities present to Marsabit County Assembly Members and Staff includes: Prompt payment of Salaries, Annual incremental of Salaries, advance of salary, subsistence & foreign allowance, acting allowance and leave allowance.

The Assembly also provides Medical Cover to the Members and Staffs. The medical covers entail inpatient, outpatient, dental, Optical Maternity as well as last expense.

The Assembly has also taken into consideration occupational Safety and Health by providing Occupational Benefits; Group Life Insurance, Group Personal Accident and Work Injury Benefit Act (WIBA).

The Members and staff of Marsabit County Assembly enjoys other benefit like leave allowances and categories; not limited to the following; Annual Leave, Maternity & Paternity Leave, Unpaid Leave, Compassionate Leave, Sick/Convalescent Leave, Terminal, Examination, Study leave well as child adoption leave. The Members and staffs also enjoy various workshops and training programme intended to improve the employee performance and productivity and increase their morale

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

4. Market place practices

Marsabit County Assembly as a corporate citizen has always been guided by various rules and regulations, Acts and other government directions to run its day to day activities.

All procurement related issues are published through supplier portals to give fair competitions to suppliers following guidelines from PPOA and PFM ACT 2012

5. Community Engagements-

The County Assembly continually engages the general public through public participations in delivering its mandate and responsibilities. All bills, plans and policies go through public participation before being enacted.

**Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

10. FUND ADMINISTRATION COMMITTEE

The Fund administration committee submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activity of the Fund is to lend to members the scheme loans i.e. Mortgage and Car loan. This function includes receiving of applications, appraisal of applications, committee decision, disbursement of loans, recoveries of advanced monies, monitoring and evaluation of fund performance, enforce compliance, undertake loan clearance when due, and prepare reports as required.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 18-23

10.3 Fund Administration Committee

The members of the Fund Administration Committee who served during the year are shown on page are as shown below:

No	Name
1	Hon.Halkano Konso
2	Hon.Buke Diba
3	Hon. Stephen Sora Katello
4	Hon. James Korie
5	Hon.Daud Tamasot
6	Hon. Tura Ruru
7	Hon.Zamzam Hussein

10.4 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, for the year/period ended June 30, 2021.

By Order of the Board

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

Sign:



Name: CPA Fredrick Injela

Fund Accountant

Date: 23rd August 2021.

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 THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 AND MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND), REGULATIONS, 2014 with subsequent edition in 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, 2021. 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 (THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 AND MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND), REGULATIONS, 2014). 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, 2021, 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.

Marsabit County Assembly Car & Mortgage scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021.

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 23rd August 2021 and signed on its behalf by:

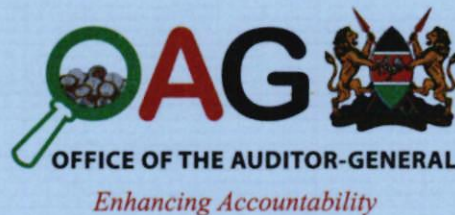


Name: JARSO ROBA

Acting Administrator of the Marsabit County Assembly
Car & Mortgage Loan Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MARSABIT COUNTY ASSEMBLY CAR AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the financial statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Marsabit County Assembly Car and Mortgage Scheme Fund set out on pages 21 to 63, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial

Report of the Auditor-General on Marsabit County Assembly Car and Mortgage Scheme Fund for the year ended 30 June, 2021

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Marsabit County Assembly Car Loan and Mortgage Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting (Accrual Basis) and do not comply with the Public Finance (County Assembly of Marsabit Car Loan Scheme Fund) Regulations, 2014 and the Public Finance (County Assembly of Marsabit Mortgage Scheme Fund) Regulations, 2014 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Failure to Prepare Separate Financial Statements for Funds

As previously reported, the financial statements submitted for audit refer to Marsabit County Assembly Car and Mortgage Scheme Fund. However, documents provided for audit indicated that the Assembly operated two (2) separate Funds: the County Assembly of Marsabit Car Loan Scheme Fund and the Marsabit County Assembly Mortgage Scheme Fund.

Management have combined the financial statements of the two (2) Funds contrary to the requirements of Regulation 15(1)(d) of the Public Finance (County Assembly of Marsabit Car Loan Scheme Fund) Regulations, 2014 and Regulation 18(1)(d) of the Public Finance (Marsabit County Assembly Mortgage Scheme Fund) Regulations, 2014 which require the officer administering each Fund to prepare separate financial statements for each Fund and transmit to the Auditor-General within three (3) months after the end of each financial year.

In the circumstances, the legality of the financial statements submitted for audit could not be confirmed.

2. Statement of Changes in Net Assets

The statement of changes in net assets reflects total net assets of Kshs.108,876,187. However, the amount includes journal adjustments amounts of Kshs 83,711,152 and Kshs.2,602,124 on revolving fund and accumulated surplus respectively, for which supporting documents were not provided.

In the circumstances, the validity, accuracy and completeness of the total net assets balance of Kshs.108,876,187 could not be confirmed.

3. Long-Term Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.56,787,995 in respect of long-term receivables from exchange transactions. However, Note 11 to the financial statements reflects Kshs.37,202,952 in respect of long-term loan repayments due resulting to an unexplained variance of Kshs.19,585,043.

In the circumstances, the validity, accuracy and completeness of the reported long-term receivables balance of Kshs.56,787,995 could not be confirmed.

4. Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.1,710,103 and budgeted expenditure of Kshs.60,000. However, the approved budget of the Fund was not provided for audit. The authenticity of the budget amounts and requisite authority to incur the expenditure could therefore, not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit of the previous year, several issues were raised. The Management has not resolved the issues or provided satisfactory reasons for the delay in resolving the prior year audit issues. Further, the status of some of the unresolved prior year issues is not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the financial reporting guidelines issued by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Payment of Car Grant to the Speaker and Members of the County Assembly

The statement of cash flows reflects an amount Kshs.65,375,440 in respect of car grant paid to the Speaker and each of the Members of the County Assembly (MCAs) at the rate of Kshs.4,000,000 and Kshs.2,000,000 respectively. However, it was observed that twenty-five (25) MCAs with outstanding car loans totalling Kshs.19,665,382 were paid the grants in full contrary to Salaries and Remuneration Commission Circular Ref. No. SRC/TS/COG/3/61/48 VOL.II(113) of 9 February, 2021 which provides that upon conversion, the existing car loan shall cease and the Speaker and MCAs who have already benefited on the existing car loan shall convert their car loan to transport facilitation benefit in form of a car grant.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its 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 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements

Report of the Auditor-General on Marsabit County Assembly Car and Mortgage Scheme Fund for the year ended 30 June, 2021

are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future

events or conditions may cause the Fund to cease 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 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
AUDITOR-GENERAL

Nairobi

27 July, 2022

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13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	1,710,103	2,763,124
Other income	5	-	-
		1,710,103	2,763,124
Total revenue		1,710,103	2,763,124
Expenses			
Fund administration expenses	6	60,600	161,000
General expenses	7		-
Finance costs	8		-
Total expenses		60,600	161,000
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		1,649,503	2,602,124

The notes set out on pages 36 to 48 form an integral part of these Financial Statements.

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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	51,431,032	86,288,848
Current portion of long- term receivables from exchange transactions	11	657,160.	46,436,647
Receivables from Non- exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		52,088,192	132,725,495
Non-current assets			
Long term receivables from exchange transactions	11	56,787,995	39,596,730
Property, plant and equipment	15		
Intangible assets	16	-	-
Total assets		108,876,187	172,322,225
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20		
Total liabilities			
Net assets		108,876,187	172,322,225
Revolving Fund		104,624,560	170,000,000
Accumulated surplus		4,251,627	2,322,225
Total net assets and liabilities		108,876,187	172,322,225

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 23rd August 2021 and signed by:

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Administrator of the Fund

Name: Jarso Roba



Fund Accountant

Name: Fredrick Injela

ICPAK Member No 2640

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13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	56,440,631			56,440,631
Surplus/(deficit) for the period	2,602,124		2,602,124	2,602,124
Funds received during the year	37,880,552			37,880,552
Payments during the year	(10,634,459)			(10,634,459)
Balance as at 30 June 2020	86,288,848			86,288,848
Balance as at 1 July 2020	86,288,848			86,288,848
Adjustment by journal	83,711,152		2,602,124	86,313,276
Surplus/(deficit) for the period		-	1,649,503	1,649,503
Funds received during the year				
Payments during the year	(65,375,440)			(65,375,440)
Balance as at 30 June 2021	104,624,560		4,251,627	108,876,187

(Provide details on the nature and purpose of reserves)

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021 KShs	2019/2020 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received	4	1,710,103	2,763,124
Receipts from other operating activities		-	-
Total Receipts		1,710,103	2,763,124
Payments			
Fund administration expenses	6	60,600	161,000
General expenses		-	-
Finance cost		-	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
Net cash flows from operating activities		1,649,503	2,602,124
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(-)	(-)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		28,495,610	37,880,552
Loan disbursements paid out		-	(7,000,000)
Net cash flows used in investing activities		28,495,610	30,880,552
Cash flows from financing activities			
Car grant issued out		(65,375,440)	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		(65,375,440)	-
Net increase/(decrease) in cash and cash equivalents		(35,230,327)	33,482,676
Cash and cash equivalents at 1 JULY		86,661,359	53,178,683
Cash and cash equivalents at 30 JUNE		51,431,032	86,661,359

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations					
Transfers from County Govt.					
Interest income			1,710,103	(1,710,103)	
Other income					
Total income			1,710,103	(1,710,103)	
Expenses					
Fund administration expenses			60,600	(60,000)	
General expenses					
Finance cost					
Total expenditure			60,600	(60,600)	
Surplus for the period			1,649,503	1,649,503	

13.6 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1 st January 2021:	Impact
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	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
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	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
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 revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating 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	Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p>

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Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 original budget for FY 2020/2021 was approved by the County Assembly on xxxx (Date). 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.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Marsabit county Assembly Car & Mortgage scheme Fund
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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 18 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.

2. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) 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 financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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- 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)

b) 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.

4. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

5. 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.

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

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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.

6. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

7. 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.

8. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

9. 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.

10. 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.

11. 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/ Trustee, the Fund Managers and Fund Accountant.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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 (**Remove if not applicable**) and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

13. Comparative figures

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

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14. Events after the reporting period

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

15. Ultimate and Holding Entity

The entity is a County Public Fund established by THE MARSABIT COUNTY ASSEMBLY (CAR LOAN SCHEME FUND) REGULATIONS, 2014 AND MARSABIT COUNTY ASSEMBLY (MORTGAGE SCHEME FUND), REGULATIONS, 2014. Its ultimate parent is the County Government of Marsabit.

16. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

a) 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.

b) 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:

- i) The condition of the asset based on the assessment of experts employed by the Entity
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

18. Financial risk management

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

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

a) Credit risk

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 2020				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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

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

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.

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 2021				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 June 2020				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

d) 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	KShs	KShs	KShs
2021			
Euro			
USD			
2020			
Euro			
USD			

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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.

The sensitivity analysis was not carried out as the interest rate is capped by law.

f) 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:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
Total funds		
Total borrowings		

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Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
Gearing		

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners		
Contributions from the public		
Total		

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		
Total		

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties		
Fines		
Levies		
Licences		
Total		

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	1,225,357	1,877,576
Interest income from car loans	484,746	885,548
Interest income from investments		
Interest income on bank deposits		
Total interest income	1,710,103	2,763,124

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income (specify)		
Total other income		

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)		
Loan processing costs		
Professional services costs		
Administration fees	60,600	161,000
Total	60,600	161,000

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
Total		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Bank Charges		
Hospitality		
Depreciation and amortization costs		
Other expenses		
Total		

8. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Total		

9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Marsabit County Assembly Car Loan Account		
Marsabit County Assembly Mortgage Account		
Fixed deposits account		
On – call deposits		
Current account	51,431,032	86,288,848
Others		
Total cash and cash equivalents	51,431,032	86,288,848

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

Financial institution	Account number	2020/2021	2019/2020
		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			
Cooperative Bank of kenya	01141551282300	51,431,032	86,288,848
Bank B			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total			

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	657,160	39,992,786
Receivables October 2019		3,207,571
Receivables June 2020		3,236,290
Total Current receivables	657,160	46,436,647
Non-Current receivables		
Long term loan repayments due	37,202,952	39,596,730
Total Non- current receivables	37,202,952	39,596,730
Total receivables from exchange transactions	37,860,112	86,033,377

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	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		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive		
Transfer from Marsabit County Assembly Car & Mortgage Scheme Fund		
Total receivables from non-exchange transactions		

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(specify)		
Total		

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
Total inventories at the lower of cost and net realizable value		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019					
Additions					
Disposals					
Transfers/adjustments					
At 30th June 2020					
At 1st July 2020					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2021					
Depreciation and impairment					
At 1 st July 2019					
Depreciation					
Impairment					
At 30th June 2020					
At 1st July 2020					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 30 th June 2021					
Net book values					
At 30 th June 2020					
At 30 th June 2021					

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year		
Additions		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables		
Total trade and other payables		

18. Provisions

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Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non -current provisions				
Balance at the end of the year (30.06.2021)				

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestic borrowings during the period		
Balance at end of the period		

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from		
Sterling Pound denominated loan from		
Euro denominated loan from		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

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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				
Non-current benefit obligation				
Total employee benefits obligation				

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	1,649,503	2,602,124.43
Adjusted for:		
Amortisation		
Gains/ losses on disposal of assets		
Interest income (mortgage)	(1,225,357)	(2,763,124)
Interest income (car loans)	(484,747)	
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables		
Net cash flow from operating activities	(60,600)	161,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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) County Assembly;
- d) Key management;
- e) Board of Trustees; etc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

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c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees		
Key Management Compensation		
Total		

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d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
Total		

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Due to County Assembly		
Total		

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case xxx against the Fund		
Bank guarantees		
Total		

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Joint ownership of motor vehicles has not been effected	Joint ownership of Logbooks is in process	Jarso Roba-Fund Administrator	80% Resolved
2.0	Title deeds has not been put on charge	The process of taking on charge Title Deeds is in progress	Jarso Roba-Fund Administrator	In Progress
3.0	Doubtful Expenditure	The budget for transport was discussed and approved in the meeting dated 24th April 2019 at the Assembly chambers	Fredrick Injela Fund Accountant	Resolved
4.0	Presentation of Financial Statements	The Fund Accountant is in the process of acquiring the Institute of Certified Public Accountants membership number.	Fredrick Injela Fund Accountant	Resolved
5.0	Long term receivables	The statement of financial position reflects a balance of Kshs. 111,937,857 under Current portion of long term receivables from exchange transactions	Fredrick Injela Fund Accountant	Resolved

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16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	