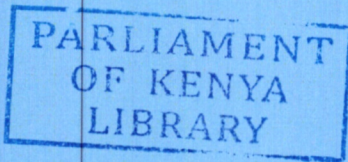


REPORT



OF

THE AUDITOR-GENERAL

ON

TRANS NZOIA COUNTY NAWIRI FUND

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

PAPERS LAID	
DATE	15-02-2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODOU



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TRANS NZOIA COUNTY NAWIRI FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2019

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

**Trans Nzoia County Nawiri Fund-Reports and Financial Statements For the year ended
June 30, 2019**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trans Nzoia County Nawiri Fund is established by and derives its authority and accountability from Trans Nzoia Nawiri Fund Act of 5th May 2015. The Fund is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

The main source of the fund is the budgetary allocation from the County Budget. In the year 2014-2015 the fund was credited with Ksh 4,000,000. There was an addition of Kshs 1,000,000 from the county treasury in the financial year 2018/19.

The fund is managed by the board of management which is appointed by C.E.C Trade, Commerce and Industry. In the year under review there was a disbursement made of kshs 1,000,000.

Due to the underfunding, since the establishment of the fund there have been little activities on this fund which is intended to improve the small business and self-employed groups like the boda-boda. Actually, we are in the right path and remain focused to eradicating poverty and improving lives of the citizen in our county notwithstanding the funding challenges.

The fund's objective is to provide an opportunity to small scale entrepreneurs to gain commercial experience to enable them play their part in industrial and commercial development of the County and enhance the small and medium enterprises' competitiveness as they graduate into bigger vibrant enterprises

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide affordable and competitive credit to both formal and informal traders involved in production and trade in goods and services within Trans Nzoia County.

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

c) Board of Trustees/Fund Administration Board

Ref	Name	Position
1	Mrs Mary C Rono	Chairperson
2	Mrs Emily Muhonja Cheptabut	Chief officer
3	Dr. Lewis Wachilonga	Director SME

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

d) Key Management

Ref	Name	Position
1	Mrs. Mary C Rono	Chairman
2	Mrs. Emily Muhonja Cheptabut	Secretary-Trade, Commerce & Industry
3	Dr. Lewis Wachilonga	Director SME
4	Mr Samwel Warui	Member
5	Mr Jamhuri Ambwaya	Member
6	Mrs Ligale Francisca	Member
7	Mr Kelas Wafula	Member
8	Mrs Chebet Doreen	Member
9	Mr Robert Kibii	Member

Registered Offices

P.O. Box 4211-30200
Former Municipal Yard /County Fire Station
Behind County Police Headquarters
KITALE, KENYA

e) Fund Contacts

Telephone: (254) 30301/2
E-mail: countyoftranszoia.@gmail.com
Website: www.countyoftranszoia.go.ke

f) Fund Bankers

Equity Bank of Kenya
P.O. Box 4211-30200
Kitale-Kenya
AC NO. 0330263908695

g) Independent Auditors




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

h) Principal Legal Adviser





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

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019


2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
<p>1. Mrs Mary C Rono</p> 	<p>D.O.B-03/05/1956</p> <p>P1 Teacher, Certificate in sustainable Agriculture- JKUT, Diploma in Project planning & management (PEDESA ZAMBIA)</p>
<p>2. Mrs Emily Muhonja Cheptabut</p> 	<p>D.O.B</p>
<p>3. Dr. Lewis Wachilonga</p> 	<p>D.O.B</p> <p>Dr (Phd)</p>

3. MANAGEMENT TEAM

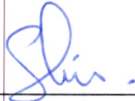
Name	Details of qualifications and experience
<p>1. Mrs. Mary C Rono</p> 	<p>D.O.B-03/05/1956</p> <p>P1 Teacher, Certificate in sustainable Agriculture-JKUT, Diploma in Project planning & management (PEDESA ZAMBIA)</p>
<p>2. Mrs Emily Muhonja Cheptabut</p> 	<p>D.O.B</p>
<p>3. Dr. Lewis Wachilonga</p> 	<p>D.O.B</p>
<p>4. Mr Hosea Serem</p> 	<p>D.O.B 16/11/87</p> <p>M.B.A- Finance option</p>

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

5. Mr Jamhuri Ambwaya	
6. Mrs Ligale Francisca	
7. Mr Kelas Wafula	
8. Mrs Chebet Doreen 	D.O.B 01/07/1989 Diploma in information science.
9. Mr Robert Kibii	

4. BOARD/FUND CHAIRPERSON'S REPORT

- There were no any changes in the board during the year.
- Review of the Fund's performance- Since the fund had no main activities during the year, more was to be done in the following financial year.
- Future outlook of the Fund- to promote trade all over the county.

Signed:  _____ -

Mrs Mary C Rono- Chair person

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

5. REPORT OF THE FUND ADMINISTRATOR

Due to the underfunding, since the establishment of the fund there have been little activities on this fund which is intended to improve the small business and self-employed groups like the boda-boda. In the year under review there was a disbursement made of kshs 1,000,000 of which part was used for board induction and training.

Actually, we are in the right path and remain focused to eradicating poverty and improving lives of the citizen in our county notwithstanding the funding challenges. The fund's objective is to provide an opportunity to small scale entrepreneurs to gain commercial experience to enable them play their part in industrial and commercial development of the County and enhance the small and medium enterprises' competitiveness as they graduate into bigger vibrant enterprises

The Fund Administrator should sign the Fund Administrator report.

Signed:



Emily Cheptabut- Fund Administrator

6. CORPORATE GOVERNANCE STATEMENT

The fund held two board meetings. They conducted aboard training and one induction since the board was newly constituted.

Functions of the board

- (a) to solicit for funds and other assistance to promote the functions of the Fund;
- (b) to set, in due regard to the prevailing National and County economic status, the criteria and conditions governing the granting of loans, including the rate of interest and recovery of loans;
- (c) to receive any gifts, donations, grants or endowments made to the Fund, and to make legitimate disbursements therefrom;
- (d) to establish and maintain links with other persons or group of persons' bodies or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of the purposes for which the Fund is established;
- (e) to grant loans out of the Fund, to any eligible person or group of persons to enable them, or assist any trader, to expand their businesses;
- (f) to invest any surplus funds not immediately required for the Purpose of the Fund in any investment authorized by law;
- (g) to receive and consider all loan applications from eligible persons or group of persons wishing to be considered for the award of loans, and to approve' withhold or reject such requests in accordance with the provisions of this Act;
- (h) to take out insurance cover for risky loans such as death, incapacity or inability to pay, as the Board deems fit;
- (i) to perform any other functions relating to the granting of Traders' loans in accordance with the provisions of this Act.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Under the financial year 2018/19 the fund received kshs 1,000,000 of which kshs 447,000 was used for board training and induction. There were no major activities during the year since most loans were disbursed after the closure of the next financial year.

8. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are set out on page 2

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 17-33

Trustees

The members of the Board of Trustees who served during the year are shown on page 5. There were no changes in the Board during the financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name

Member of the Board

Date: 06/11/2020.

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Trans Nzoia county Nawiri Fund Act 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Trans Nzoia county Nawiri Fund Act 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention

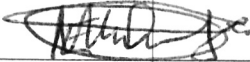
Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2020 and signed on its behalf by:

09 NOV 2020



Administrator of the County Public Fund

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY NAWIRI FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Trans Nzoia County Nawiri Fund set out on pages 17 to 33, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Trans Nzoia County Nawiri Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Trans Nzoia Nawiri Fund Act, 2015.

Basis for Qualified Opinion

1. Long Outstanding Principal Loans Repayments Due

The statement of financial position reflects current principal loan repayments due of Kshs.861,444 due from a SACCO and which has remained outstanding since 19 January, 2016. This is in contravention of Regulation 4.4 of the Trans Nzoia County Nawiri Fund Regulations, 2019 which requires loans advanced be repaid within a maximum period of one year.

In the circumstances, the recoverability of the outstanding loan balance of Kshs.861,444 is doubtful.

2. Unresolved Prior Year Matters

2.1 Irregular Issuance of Imprests

Note 5A to the financial statements reflects current receivables balance of Kshs.2,900,000 which is indicated as an outstanding imprest/due from parent ministry.

However, as previously reported, the amount represents outstanding imprest issued to two County Executive Committee Members who travelled to the United States of America in 2015. Further, no documentary evidence was provided to confirm that the imprest of Kshs.2,900,000 was issued on behalf of the parent ministry and therefore, forms a refundable borrowing by the ministry.

In the circumstances the validity of the current receivable balance of Kshs.2,900,000 could not be confirmed.

2.2 Dormancy of the Fund

A review of the Fund's financial statements, revealed that the Fund had not carried out any activity for which it was formed, for, in the last three years, this is due to non-disbursement of the approved budget by the County Executive to facilitate its operations.

In the circumstances, the viability of the Fund could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Trans Nzoia County Nawiri Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Use of Principal Funds to Incur Administrative Expenses

The statement of financial performance reflects total expenses of Kshs.448,020 comprising fund administration expenses of Kshs.209,980 and general expenses of

Kshs.238,040 which represents 45% of the total proceeds of Kshs.1,000,000 to the revolving fund in the year under review. This is contrary to Regulation 197(d) of the Public Finance (County Government) Regulations, 2015 which provides that the administration costs of a County Fund shall be a maximum of three percent (3%) of the approved budgets of the Fund.

Consequently, the Management breached the law.

2. Lack of an Approved Budget

During the year under review, the Fund operated without an approved budget contrary to Section 149(2h) of the Public Finance Management Act, 2012, which requires the Accounting Officer of every County Government entity to prepare estimates of expenditure of the entity in conformity with the strategic plan. The Fund was therefore, exposed to risk of over/underutilization of the funds.

Consequently, the Management breached the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

Weak Governance and Internal Control Environment

Review of the Fund's governance and internal control environment revealed that the Internal Audit Department of Trans Nzoia County Executive had never reviewed and evaluated budgetary performance, transparency and accountability mechanisms and processes of the Fund since its inception in the year 2015, in line with Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that internal auditors shall review and evaluate budgetary performance, financial

Management, transparency and accountability mechanisms and processes in county government entities, including County Assembly among others.

Consequently, Management breached the law and the Fund may not have been efficiently managed in line with best practice and framework.

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 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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 January, 2022

11. FINANCIAL STATEMENTS

11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2019


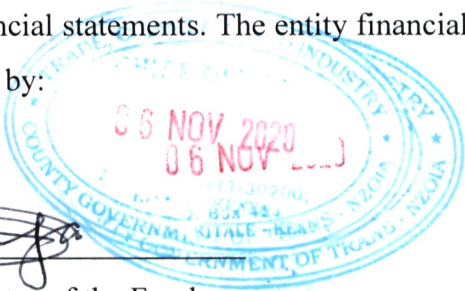
	Note	2018/2019	207/2018
		KShs	KShs
Revenue from exchange transactions			
Interest income earned	1	-	104,444
Total revenue		-	104,444
Expenses			
Fund administration expenses	2	209,980	-
General expenses	3	238,040	3,000
Total expenses		448,020	(3,000)
Surplus/(deficit) for the period		(448,020)	101,444

Trans Nzoia County Nawiri Fund-Reports and Financial Statements for the year ended June 30, 2019

11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	891,980	325,000
Current Receivables	5A	2,900,000	2,900,000
Non-Current Assets			
Current principal loan repayments due	5B	861,444	876,444
Total Assets		4,653,424	4,101,444
Represented by:			
Revolving Fund		5,000,000	4,000,000
Accumulated surplus/Deficit		(346,576)	101,444
Total net assets and liabilities		4,653,424	4,101,444

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

Administrator of the Fund
Name: Emily Cheptabut



Fund Accountant
Name: Edwin kiboi
ICPAK Number:11472

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	4,000,000	-	101,444	4,101,444
Balance as at 30 June 2018	4,000,000	-	101,444	4,101,444
		-		
Balance as at 1 July 2018	4,000,000	-	101,444	4,101,444
Surplus/(deficit) for the period	-	-	(448,020)	(448,020)
Funds received during the year	1,000,000	-	-	1,000,000
Balance as at 30 June 2019	5,000,000	-	(346,576)	4,653,424

Trans Nzoia County Nawiri Fund-Reports and Financial Statements For the year ended June 30, 2019

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

	Note	2018/2019	2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	-	104,444
Payments			
Fund administration expenses	2	209,980	-
General expenses	3	238,040	3,000
Cash flows from operating activities		(448,020)	101,444
Adjustments for			
Borrowings by the parent Ministry	5A		(2,900,000)
Net Cash flow from operating Activities			(2,798,556)
Cash flows from investing activities			
Proceeds from loan principal prepayment		15,000	168,000
Loan disbursements paid out			(1,044,444)
Net cash flows used in investing activities	5B	15,000	(876,444)
Cash flows from financing activities			
Proceeds from revolving fund receipts		1,000,000	4,000,000
Net cash flows used in financing activities		1,000,000	4,000,000
Net increase/(decrease) in cash and cash equivalents		566,980	325,000
Cash and cash equivalents at 1 JULY		325,000	-
Cash and cash equivalents at 30 JUNE		891,980	325,000

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

	Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Interest income	-	-	-	-	-	
Total income				-	-	
Expenses						
Fund administration expenses	-	-	-	209,980	-	
General expenses	-	-	-	238,040	-	
Total expenditure	-	-	-	(448,020)	-	
Surplus for the period	-	-	-	(448,020)	-	

The department had no budget for all the entire period.

11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

The entity adopted a new reporting standard standards in year 2019.

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 financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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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 11.5 of these financial statements.

5. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an 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)

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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.

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. 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 Fund Administrator and the Fund Accountant.

9. Cash and cash equivalents

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

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10. Comparative figures

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

11. Events after the reporting period

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

12. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Trans County Executive.

13. Currency

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

14. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. 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 member, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs
At 30 June 2019			
Receivables from exchange transactions	861,444	861,444	-
Bank balances	891,980	891,980	-
Total	1,753,424	1,753,424	-

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At 30 June 2018			
Receivables from exchange transactions	861,444	861,444	-
Bank balances	891,980	891,980	-
Total	1,753,424	1,753,424	-

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Current portion of borrowings	-	-	2,900,000	2,900,000
Total	-	-	2,900,000	2,900,000
At 30 June 2018				
Current portion of borrowings	-	-	2,900,000	2,900,000
Total	-	-	2,900,000	2,900,000

c) Market risk

The Loans Management 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 Board.

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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 Board) 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.

➤ **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 company'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

d) Capital risk management

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

	2019	2018
	KShs	KShs
Revolving fund	5,000,000	4,000,000
Accumulated surplus	(346,576)	101,444
Total funds	4,653,424	4,101,444
Total borrowings	-	1,044,444
Less: cash and bank balances	891,980	325,000
Net debt/(excess cash and cash equivalents)	891,980	719,444
Gearing	19%	18%

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Revenue from Exchange Transaction

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Exchange transaction	-	104,444
Total interest income	-	104,444

2. Fund administration expenses

Description	2018/2019	2017/2018
	KShs	KShs
Training	209,980	-
Total	209,980	-

3. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Printing and stationery	10,000	
Telecommunication	3,000	
Bank Charges	1,020	3,000
Hospitality	224,020	-
Total	238,040	3,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Cash and cash equivalents

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

Financial institution	Account number	2018/2019 KShs	Comparative figure KShs
a) Current account			
Equity bank	0330263908695	891,980	325,000
Sub- total		891,980	325,000

5. Accounts Receivables

Description	2018/2019 KShs	Comparative figure KShs
5A. Current Assets		
Current Assets		
Outstanding Imprests/Borrowings by the Parent Ministry	2,900,000	2,900,000
5B. Non-Current Assets		
Current principal loan repayments due	861,444	876,444
TOTAL	3,761,444	3,776,444

12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Default on Loan Repayment	Included in total financial assets of Kshs.4,057,000 is Kshs.832,000 being short term loan in regard to Pamoja Enterprises which has remained outstanding for the last two financial years for which there has been no attempt made to recover from the loanees or guarantors as per the requirements of Section 15 (4) (b) of Trans Nzoia County Nawiri Fund, 2015. Further, the interest on the outstanding loan is not included	The Board has made an effort to recover the stated amount with their representative who sited business challenges over time. The Board representatives requested principal repayment to kshs 15,000 from the initial of kshs 42,000. Further the Board is committed to recover all the amount advanced to the Sacco for onward lending.	Secretary/C.O	Not Resolved	30 th June 2021 (FY 2020/21)

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>as part of statement of receipts and payments since the Board has not come up with the basis and percentage to be applied on the outstanding balance.</p> <p>In the circumstances, it was not possible to ascertain accuracy and validity of the accounts receivable balance of Kshs.4,057,000 reported in the statement of assets</p>				
Irregular Issuance of Imprests	<p>Included in total financial assets balance of Kshs.4,057,000 is Kshs.2,900,000 outstanding imprest issued to two County Executive Board Members who travelled to United States of America in 2015. As previously reported, however, the purpose for which the imprests were issued was not disclosed and no reason has been provided for</p>	<p>The secretary has forwarded the claims/vouchers which were incurred by the respective officers on travel to USA trip for payment.</p>	Secretary/C.O	Not Resolved	30 th June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	failure to account for these imprests or recover the same from the salaries of the affected staff.				
Budget Implementation	The initial budget amount voted by the County Assembly for the fund during the financial year 2017/2018 was Kshs. 9,500,000. This amount was however not released to the Fund. However, it was noted that during the supplementary budget, the County Assembly reduced the amount significantly from Kshs.9,500,000 to Kshs.500,000 which is a reduction of 95%. Further, the County Treasury did not release Kshs.500,000 to the Fund as at 30 June 2018 as per the requirements of Part III, Section 12 (a) of the Trans Nzoia Nawiri Fund Act, 2015.	This concern will be shared by the County Treasury and emphasized by supporting with the PFM Act. The secretary to the fund shall ensure that all funds voted shall be transferred.	Secretary/C.O	Resolved	FY 2020/2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the operations of the Fund were affected due to non-provision of funds.				
Dormancy of the Fund	It was noted that, for the last two consecutive years, the fund have not carried out any activity for which it was formed, due to non-disbursement of the approved budget by the County Executive to facilitate its operations. In the circumstances, the viability of the Fund could not be ascertained.	The account has been activated and is now operational.	Secretary/C.O	Resolved	21 st Feb 2019