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REPORT

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COMMITTEE	_____
CLERK AT THE TABLE	Ms. M. Adjibodan

THE AUDITOR-GENERAL

ON

SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE (MEMBERS) SCHEME FUND

FOR THE YEAR ENDED 30 JUNE, 2021



**COUNTY ASSEMBLY OF SAMBURU
MORTGAGE 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)**

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Samburu county assembly mortgage fund is established by and derives its authority and accountability from the public finance management Act of 2012. The Fund is wholly owned by the County Assembly of Samburu and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

The Fund's principal activity is to advance mortgage facilities to the members of the scheme for purposes of acquiring and owning residential properties.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to advance mortgage facilities to the members of the scheme for purposes of acquiring and owning residential properties.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	Hon. Solomon Lempere
1	Vice-Chairman of the Board	Hon. Adamson Lanyasunya
2	Other trustees/Committee Members	Hon. Nicholas Leparsayia
3	Other trustees/Committee Members	Mr. Jackson Lenaituriae
4	Other trustees/Committee Members	Ms. Purity Namayian
5	Fund Manager/ Administrator	Mr. Patrick Leshore

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d) Key Management

Ref	Position	Name
1	Chairman of the Fund	Hon. Adamson Lanyasunya
2	Vice-Chairman of the Fund	Hon. Nicholas M. Leparsayia
3	Fund Manager/ Administrator	Mr. Patrick K.Leshore
4	Director Finance and Accounting	Mr. Nelson J. Lesorogol
5	Director HRM	Ms. Faustine S. Leshornai
6	Legal Officer	Ms. Pascaline N. Letipila
7	Fund Accountant	Mr. Feisal A. Abdi

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Ref	Position	Name
1	Directorate Finance, Procurement and Accounting	Mr. Nelson J. Lesorogol
2	Directorate HRM	Ms. Faustine S. Leshornai
3	Legal Office	Ms. Pascaline N. Letipila

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 721818492
E-mail: pleshore@countyassembly.go.ke
Website: www.samburuassembly.go.ke

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

First and foremost I wish to thank the County assembly Service Board and the mortgage management committee for their unrelenting effort in making sure the fund lives to deliver on its intended objectives.

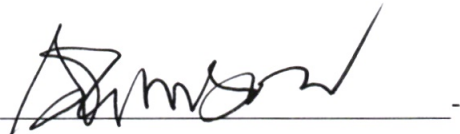
I wish to put forth that with regards to the governing board and management committee members, there is no change in the composition of the same. It is anticipated that the two committees will oversee the operations of the fund until the end of the term of the current house.

It is with humility that I report that we have so far managed to offer loan facilities to more than seventy five (75%) percent of our staff and all honourable members serving in the current house.

Going forward it is expected that more loans will be recovered and the same used to offer loans to the remaining lot of our staff members.

The Fund will also be in a position to cater for its operations cost in the future after the enactment of the revised mortgage regulation which is current at the table of the board of trustees.




Signed: _____



Hon. Adamson Lanyasunya

Chairman of the Fund

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<p>5. </p>	<p>Mr Feisal A Abdi Fund Accountant to the Mortgage Fund. Holder of under Graduate Degree in Bachelor of Commerce from the University of Nairobi. Holder of Master Degree in Master of Science (Msc) Finance and Investment from the University of Nairobi. On-going studies in professional Accountancy in the Association of Certified Chartered Accountants(ACCA)</p>
<p>6. Ms Faustine S Leshornai </p>	<p>Certified Human Resource Practioner (CHRP-K) Master's in Business Administration Bachelors of Business Administration Member of the Mortgage Fund Management Committee</p>
<p>7. Ms Pascaline N Letipila </p>	<p>Degree in Law (LLB) Member of the Mortgage Fund Management Committee</p>

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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. 	Member of County Assembly for Loosuk Ward and Deputy speaker and Vice-chairman of the County Assembly Service Board. Chairman of the Mortgage Fund Management Committee
2. 	Hon. Nicholas M Leparsayia Member of County Assembly for Baawa Ward. Minority leader in County Assembly Vice-Chairman of the Mortgage Fund Management Committee.
3. 	Mr Patrick K Leshore The Clerk of the County Assembly and Secretary to the county Assembly Service Board. Fund Administrator of the Mortgage Fund.
4. 	Mr Nelson J Lesorogol Member of certified institute of public accountants of Kenya- CPAK Undergraduate and Master Degree Holder. Director Finance, Procurement and Accounting. Member of the Mortgage Fund Management Committee

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

Introduction

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

The key development objectives of the Samburu County Assembly Mortgage Fund's 2020-2021 plan are to:

- a) Provide housing to Members of the County Assembly.
- b) Provide housing to Management and Staff.




Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Mortgage facility	To provide housing to Samburu county assembly staff	Increased number of members benefiting from the mortgage fund	28% of staff members benefited from the fund	In FY 20/21 we increased mortgage disbursement by 8% for staff only

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 <p>4. Mr Patrick Leshore</p>	<p>The Clerk of the County Assembly and Secretary to the county Assembly Service Board. Fund Administrator of the Mortgage Fund.</p>
 <p>5. Mr Jackson K Lenaituriaie</p>	<p>Member of the County Assembly Service Board Member of the Mortgage Fund Management Committee</p>
 <p>6. Ms Purity N Lentaano</p>	<p>Member of the County Assembly Service Board Member of the Mortgage Fund Management Committee</p>

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

Name	Details of qualifications and experience
<p>1.</p>  <p>Hon. Solomon L. Lempere</p>	<p>Speaker of the county Assembly of Samburu and the chairman of the County Assembly Service Board(CASB). Chairman of Board of Trustee of the Mortgage Fund. Undergraduate Degree of Law from Moi University. Master Degree of Law</p>
<p>2.</p>  <p>Hon. Adamson Lanyasunya</p>	<p>Member of County Assembly for Loosuk Ward Deputy speaker and Vice-chairman of the County Assembly Service Board. Chairman of the Mortgage Fund Management Committee</p>
<p>3. Hon. Nicholas M Leparsayia</p> 	<p>Member of County Assembly for Baawa Ward Minority Leader and Member of the County Assembly Service Board Member of the Mortgage Fund Management Committee</p>

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h) Fund Bankers

1.KCB BANK GROUP LTD – Maralal Branch

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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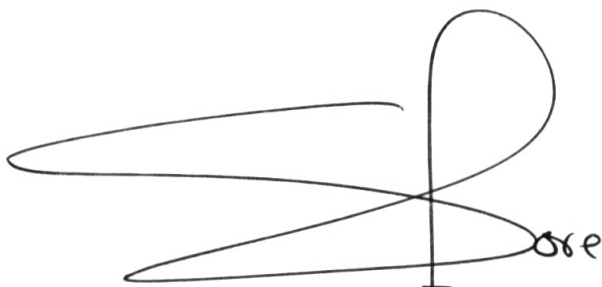
Chairman of the Fund

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The fund expected to recover mortgage repayments and use the same funds to offer mortgage facilities to members of staff and other disbursements. The fund managed to disburse a total of Kenya Shillings Forty Eight Million Three Hundred and fifty Thousand **(Kshs. 48,350,000.00)**. A total of Kenya Shillings Twenty Three Million Four Hundred and Ninety Thousand **(Kshs. 23,490,000.00)** as Loans to staff and Kenya Shillings Twenty Four Million Eight Hundred and Sixty Thousand **(Kshs. 24,860,000.000)** as Car Grant to Members of The County Assembly.

The Fund over the years have advanced mortgage facilities to members of staff and honourable members which have helped them in realising their dreams of acquiring and owning the residential properties.

The fund have been experiencing challenges in terms of data management because there was no mortgage management system in place in the past. We have exponential growth in data related to mortgage loans which prompted the procurement and acquisition of a mortgage management system in the current financial year. The said system is expected to minimise financial errors as well as ensuring the accurate and safe custody of mortgage record going forward.



Signed: _____

Mr Patrick K Leshore
Mortgage Fund Administrator

7. CORPORATE GOVERNANCE STATEMENT

The Fund Administration Committee held six meetings in the financial year under audit which was attended by a majority of the committee members.

There were no deliberations on succession plan in the various committee meeting since the mortgage regulations guides on who holds office and for what durations.

The mortgage fund does not have any service charter but the committee members have envisioned to adopt one in the near future.

The mortgage fund regulation provides the mechanisms for office holders.

The mortgage fund has no means of undertaking and trainings and development programs for its management committee members because the regulation that guides the fund does not provide for such costs.

The fund administration committee had no any conflict of interest registered in the period under review.

The board of trustees does not benefit from any remuneration package from the mortgage fund for the period the fund had been in existence because the regulation guiding the fund did not envision the need for such expenditure.

The fund is guided by the public officers' ethics Act since the fund has got no self-made code of conduct for its members and administrators. The board of trustees did not carry out any governance audit on the fund for the period under review.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund expected to recover mortgage repayments and use the same funds to over mortgage facilities to members of staff and other disbursements. The fund managed to disburse a total of Kenya Shillings Forty Eight Million Three Hundred and fifty Thousand (**Kshs. 48,350,000.00**).

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The Fund over the years have advanced mortgage facilities to members of staff and honourable members which have helped them in realising their dreams of acquiring and owning the residential properties.

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND

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9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There are no CSR activities undertaken during the year under audit.

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
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10. REPORT OF THE BOARD OF TRUSTEES

The Trustees 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 activities of the Fund is to provide loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page six (6).

10.3 Trustees

The members of the Board of Trustee who served during the year are shown on page two (2). There were no changes in the Board during the financial year under review.

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 period ended June 30, 2021.

By Order of the Board

Sign:

Name: Mr Patrick K Leshore
Fund *Administration Committee*
Date: 24/11/2021

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 *Public Finance Management Act* 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 *Samburu County assembly Mortgage Regulation of 2016*. 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.

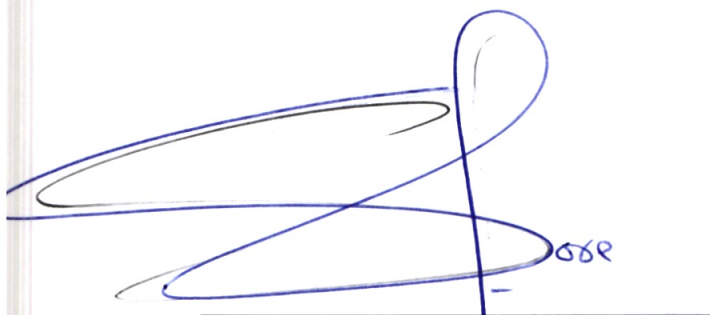
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In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 28 - 9 - 2021 and signed on its behalf by:



Name: **Patrick K Leshore**

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 SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE (MEMBERS) 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 Samburu County Assembly Mortgage Fund set out on pages 19 to 59, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of

Report of the Auditor-General on Samburu County Assembly Staff Mortgage (Members) Scheme Fund for the year ended 30 June, 2021

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.

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 Samburu County Assembly Staff Mortgage (Members) Scheme 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 Standards (Accrual Basis) and do not comply with Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in Annual Reports and Financial Statements

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

- a) The financial statements provided for audit state the name of the Fund as "County Assembly of Samburu Mortgage Fund". However, the enabling legislation has defined the Fund as "Samburu County Assembly Staff Mortgage (Members) Scheme Fund".
- b) Amounts in the statement of cash flows have not been cross-referenced to the notes to the financial statements.
- c) The statement of cash flows reflects net cash flows used in investing activities of negative Kshs.10,810,392 opening balance instead of a negative balance of Kshs.9,297,110 resulting to a variance of Kshs.1,593,282 which has not been explained or reconciled.
- d) The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 does not reflect any amounts.
- e) Progress on follow-up on prior year auditor's recommendations did not reflect the audit observations of the previous year.

The observed inadequacies are contrary to the format for presentation of financial statements prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012. Further, the accuracy of financial statements for the year ended 30 June, 2021 could not be confirmed.

2. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.4,232,540;(2020 - Kshs.4,232,540) and as disclosed under

Note 17 to the financial statements. As previously reported, although the balance relates to refundable deposits, Management did not explain their nature or supported them by way of creditors' ledger and statements. This is contrary to Regulation 99(3) of the Public Finance Management (County Governments) Regulations, 2015 which requires every entry in the accounts to be supported.

In the circumstances, the accuracy and fair statement of trade and other payables from transactions balance of Kshs.4,232,540 as at 30 June, 2021 could not be confirmed.

3. Non-Performing Loans

The statement of financial position as at 30 June, 2021 reflects long term receivables from exchange transactions balance of Kshs.294,962,570 and as disclosed under Note 11 to the financial statements. The balance includes an amount of Kshs.7,573,288 in respect to outstanding loans which were issued to Members of County Assembly (MCAs) in the first assembly between 2013 and 2017 but were not re-elected to office. These members have defaulted on the repayment of the loans and the loans to these members had no collateral or loan security.

In the circumstances, the accuracy, completeness and recoverability of the loan balances amounting to Kshs.7,573,288 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Samburu County Assembly Staff Mortgage (Members) 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Prior Year Unresolved Issues

In the report of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the matters remained unresolved as Management did not provide any evidence to support action taken to resolve the prior year reported issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

1. Unapproved Budget

Samburu County Assembly Staff Mortgage (Members) Scheme Fund Management did not provide approved budget for the year ended 30 June, 2021 for audit review contrary to Regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that approved estimates of expenditure shall form the basis of the accounts for the financial year.

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

2. Unremitted Staff Monthly Deductions

Note 11 to the financial statements reflects other exchange debtors balance of Kshs.37,227,049 as at 30 June, 2021, which includes Kshs.3,827,709 in respect of monthly loan deductions from the staff payroll which had not been remitted to the mortgage Fund. This is contrary to Section 19(4) of Employment Act, 2007 which requires that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) to pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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

3. Non-Adherence to Mortgage Fund Regulations

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

- (i) Evidence of charge on properties financed through the Fund were not provided for audit review. This is contrary to Regulation 15(1) which requires the Board to have a charge registered on the property financed through a loan granted and have its name entered on all documents of the title for such property.
- (ii) Files presented for audit review revealed that some applications did not indicate amounts applied for, particulars of the property, purpose of loan, applicant's signature and approval by Fund Management Committee.

- (iii) Applicants did not sign offer letters/ agreements indicating amount applied for, repayment period, terms and conditions of the loans.
- (iv) Most loan applications were not accompanied by copies of approved designs, bills of quantities, official search of the property intended to be purchased, certified copy of sale agreement and ownership documents that are authentic and certified by the County Executive Committee Member in charge of lands, physical planning and housing.
- (v) The borrowers did not provide transfer deeds duly signed by the borrower and a letter authorizing the Fund Committee to sell the property in case of default in payment contrary to Regulation 15(2)c of the Public Finance (Samburu County Assembly Staff Mortgage Scheme Fund) Regulations, 2016.
- (vi) Valuation reports were not attached to applications where loans were used to buy land and developed properties.
- (vii) There was no monitoring and evaluation of projects financed by the scheme to foresee that the monies sent to the borrowers were utilized for the intended purpose.

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 and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

The Fund did not have a Risk Management Policy. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Act (County Governments)

Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management policy, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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 sustain services, disclosing, as applicable, matters related to sustainability of service 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 Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease 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

20 July, 2022

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND

Reports and Financial Statements

For the year ended June 30, 2021.

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	8,879,105	9,154,077
Other income	5	-	-
		-	-
Total revenue		8,879,105	9,154,077
Expenses			
Fund administration expenses	6	-	-
General expenses	7	5,100	8,568
Finance costs	8	-	-
Total expenses		5,100	8,568
Other gains/losses			
Gain/loss on disposal of assets	9		-
Surplus/(deficit) for the period		8,874,005	9,145,509

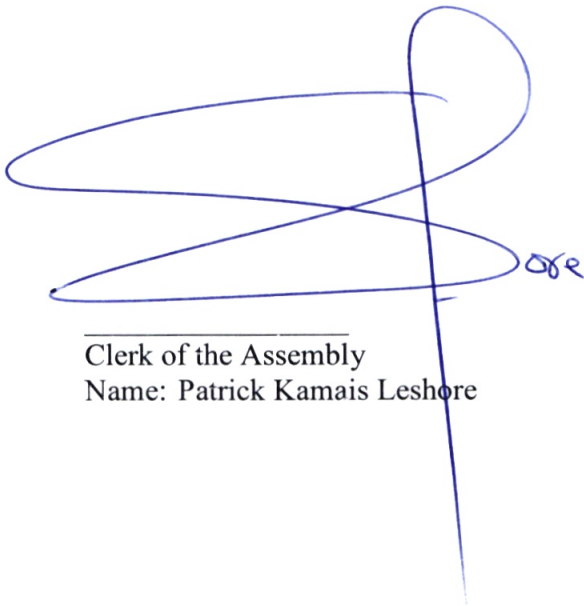
SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
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For the year ended June 30, 2021

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

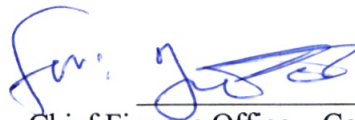
	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	12,216,144	105,971
Current portion of long- term receivables from exchange transactions	11	9,574,792	65,111,081
Receivables from Non- exchange transactions	12	7,227,049	-
Prepayments	13	-	-
Inventories	14	-	-
		-	-
Non-current assets			
Long term receivables from exchange transactions	11	294,962,570	260,974,874
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
		-	-
Total assets		353,980,554	326,191,926
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	4,232,540	4,232,540
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		-	-
Revolving Fund		305,000,000	305,000,000
Reserves		-	-
Accumulated surplus		44,748,014	16,959,386
Total net assets and liabilities		353,980,554	326,191,926

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
Reports and Financial Statements
For the year ended June 30, 2021.

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 30/06/2021 and signed by:



Clerk of the Assembly
Name: Patrick Kamais Leshore



Chief Finance Office – County Assembly
Name: Joseph Nelson Lesorogol
ICPAK Member Number: 22366

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
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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	305,000,000	-	7,813,878	312,813,878
Surplus/(deficit) for the period	-	-	9,145,509	9,145,509
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	305,000,000	-	16,959,386	321,959,386
Balance as at 1 July 2020	305,000,000	-	16,959,386	321,959,386
Surplus/(deficit) for the period	8,874,005	-	-	8,874,005
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	322,848,745	-	25,833,391	330,833,391

SAMBURU COUNTY ASSEMBLY MORTGAGE FUND
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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		7,276,131	9,162,771
Receipts from other operating activities		-	-
Total Receipts		7,276,131	9,162,771
Payments			
Fund administration expenses		-	-
General expenses		5,1000	8,568
Finance cost		-	-
Total Payments		5,100	8,568
Net cash flows from operating activities		7,271,031	9,154,203
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		59,606,276	50,982,890
Loan disbursements paid out		(54,767,134)	(60,200,000)
Net cash flows used in investing activities		4,839,142	(10,810,392)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		12,110,173	(62,907)
Cash and cash equivalents at 1 JULY	10	105,971	168,879
Cash and cash equivalents at 30 JUNE	10	12,216,144	105,971

**Samburu County Assembly Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

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
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	(-)	-	-	
Transfers from County Govt.					
Interest income	-	-	-	-	
Other income	-	-	-	-	
Total income	-	(-)	-	-	
Expenses					
Fund administration expenses	-	-	-	-	
General expenses	-	(-)	-	-	
Finance cost	-	(-)	-	-	
Total expenditure	-	(-)	-	-	
Surplus for the period	-	-	-	-	

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.

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: 1st 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.

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<p>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</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</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>

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <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 -x (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. Accordingly, the Fund recorded additional appropriations of -xx (Amount) on -x (Date) the FY 2020/2021 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial

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performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - 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

Samburu County Assembly Mortgage Fund
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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

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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:

- 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

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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
- 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 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. *Entity to state the reserves maintained and appropriate policies adopted.*

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

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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.

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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.

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 - Act (*state the legislation establishing the Fund*) under the Department of -. Its ultimate parent is the County Government of -.

16. Currency

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

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For the year ended June 30, 2021.

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. Additional disclosure of these estimates of provisions is included in Note -.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	294,962,570	294,962,570	-	-
Receivables from non-exchange transactions	46,801,840	-	46,801,840	-
Bank balances	12,216,144	-	-	-
Total	353,980,554	294,962,570	46,801,840	-
At 30 June 2020				
Receivables from exchange transactions	326,191,926	326,085,955	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	105,971	-	-	-
Total	326,297,899	326,085,955	-	-

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 -.

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	-	-	-	4,232,540
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	4,232,540
At 30 June 2020				
Trade payables	-	-	-	4,232,540
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	4,232,540

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:

	KShs	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	Effect on surplus/	Effect on
	currency rate	deficit	equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2021: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2020 – KShs -)

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:

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	305,000,000	305,000,000
Accumulated surplus	44,748,014	16,959,386
Total funds	349,748,014	321,959,386
Total borrowings	-	0.00
Less: cash and bank balances	(12,216,144)	105,971
Net debt/(excess cash and cash equivalents)	337,531,871	0
Gearing	97%	0%

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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	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	8,879,105	9,154,077
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	8,879,105	9,154,077

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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	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

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	-	-

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

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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	5,100	9,033
Total	5,100	9,033

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
- Car loan account	-	-
- County mortgage account	12,216,144	105,971
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	12,216,144	105,971

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	1151162191	12,216,144	105,971
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		12,216,144	105,971
Grand total		12,216,144	105,971

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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	9,574,792	1,519,157
Current loan repayments due	-	49,740,875
Other exchange debtors	37,227,049	13,957,020
Less: impairment allowance	(-)	(-)
Total Current receivables	46,801,840	65,217,053
Non-Current receivables		
Long term loan repayments due	294,962,570	260,974,874
Total Non- current receivables	294,962,570	260,974,874
Total receivables from exchange transactions	341,764,411	326,191,927

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 -X 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 30th June 2021	-	-	-	-	-
Net book values					
At 30th June 2020	-	-	-	-	-
At 30th 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	4,232,540	4,232,540
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	4,232,540	4,232,540

18. Provisions

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 ' - organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
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	-	-

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	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

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	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	(-)	(-)
Interest income	(-)	(-)
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in payables	-	-
Net cash flow from operating activities	-	-

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

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	-	-

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 - against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

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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.

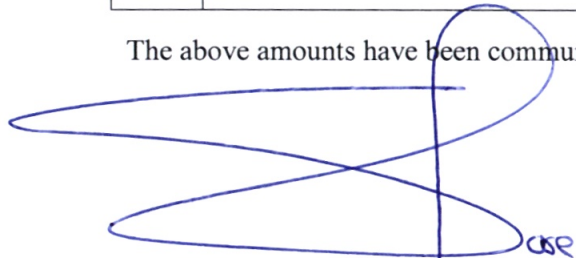
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

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16. APPENDIX I: INTER-ENTITY TRANSFERS

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

The above amounts have been communicated to and reconciled with the parent Ministry.



Clerk of the Assembly
Name: Patrick Kamais Leshore



Chief Finance Office – County Assembly
Name: Joseph Nelson Lesorogol
ICPAK Member Number: 22366