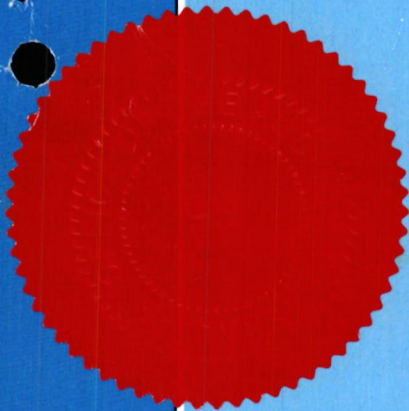
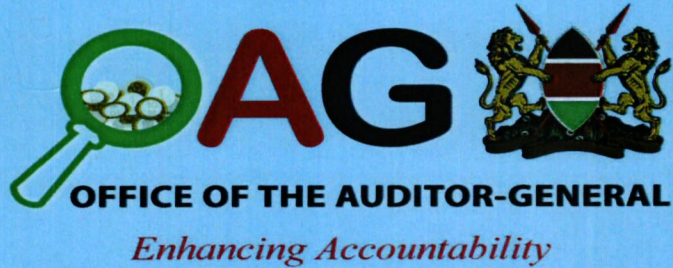


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## REPORT

PAPERS LAID	
DATE	27/10/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	A. Mwachira

OF

## THE AUDITOR-GENERAL

ON

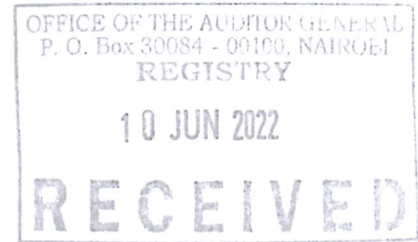
## COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING FUND

## FOR THE YEAR ENDED 30 JUNE, 2021

Revised Template 30<sup>th</sup> June 2021



MERU COUNTY GOVERNMENT  
**OFFICE OF THE CLERK**  
MERU COUNTY ASSEMBLY



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**COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING  
SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*County Assembly of Meru Members Car Loan and Housing Scheme 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**

The County Assembly of Meru Members Car Loan and Housing Scheme Fund is established by and derives its authority and accountability from The County Assembly Service Act 2017 on 28<sup>th</sup> June, 2019. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

The fund's objective is to provide loan facilities for the purchase, development, renovation or repair of residential houses and purchase of personal motor vehicles to members of the scheme.

The Fund's principal activity is to consider and approve applications for loans presented to it in accordance with existing terms for borrowing.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to be a model fund that meets the needs of the membership in the attainment of decent housing for members. The fund has a mission to grow the fund to enable all the members get car loans and housing loans benefit from the fund.

**c) Fund Administration Committee**

Ref	Name	Position
1	Hon. Joseph Kaberia I.A, MBS	Chairperson
2	Mr. Jacob Kirari	Secretary
3	Hon. Victor Karithi Mutuma	Member
4	Hon. Ayub Bundi Solomon	Member
5	Hon. Josphat Mugambi	Member
6	Hon. John Kithinji Ethaiba	Member
7	Hon. Linas Thiaine Athinya	Member
8	Hon. Lucy Makena Jason	Member

**d) Key Management**

Ref	Name	Position
1	Mr. Jacob Kirari	Clerk
2	Mr. Lawrence Gitaari Ndi	Director- Finance and Accounting
3	Mr. Stanley Kipkosgei Karonai	Principal Finance Officer

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Deputy Director Audit	CPA Pamela Karambu Kiriungi

**f) Registered Offices**

P.O. Box 3-60200  
County Assembly of Meru  
Kenyatta Highway  
Meru, KENYA

**g) Fund Contacts**

Telephone: (254) 708 777 000  
E-mail: [assembly@meru.go.ke](mailto:assembly@meru.go.ke)  
Website: [www.meru.go.ke](http://www.meru.go.ke)

**h) Fund Bankers**

1. Equity Bank Ltd  
Njuri Ncheke Street,  
P.O. Box 400,  
Meru 60200,  
Meru, Kenya.
2. Family Bank Ltd  
Tom Mboya,  
P.O. Box 3092,  
Meru 60200,  
Meru, Kenya.





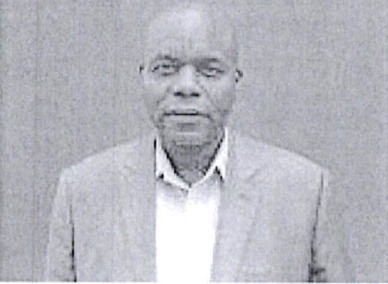
**i) Independent Auditors**

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


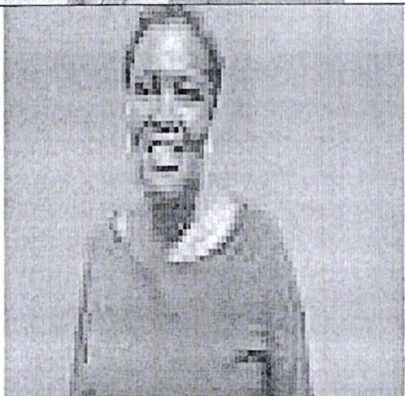

**j) Principal Legal Adviser**

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

2. THE BOARD OF TRUSTEES

NO	IMAGE	NAME	D.O.B	DESIGNATION
1.		Hon Joseph Kaberia I.A, MBS Academic Profile -LLB, Diploma In Law(KSL) -MBA -Pursuing Phd	1970	-Hon. Speaker -Chairman
2.		Hon Victor Karithi Mutumah -MCA Athwana Ward Academic Profile -Degree UON	05.12.1979	Member
3.		Hon Ayub Bundi Solomon -MCA Abuthuguchi Central Ward Academic Profile Bachelor of Education(Moi)	01.01.1969	Member
4.		Hon Linus Thiaine Athinya -MCA Kiguchwa Ward	20.07.1975	Member
5.		Hon John Kithinj Ethaiba MCA Nkomo Ward Academic Profile -Diploma	1964	Member

**County Assembly of Meru Members Car Loan and Housing Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

6.		<p>Hon Josphat Mugambi MCA Kanuni Ward Academic Profile O Level</p>	03.05.1980	Member
7.		<p>Hon Lucy Makena Jason Nominated MCA Academic Profile -Degree in Community Development -Diploma in Governance and Leadership -Pursuing Certificate in Senior Management</p>	1967	Member
8.		<p>Mr. Jacob Kirari  Academic Profile -Bachelor of Business Administration -MBA -Pursuing Bachelors of Laws</p>	1968	-County Assembly Clerk -Secretary

**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 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 County Assembly of Meru's 2018-2022 strategic plan are to:




- a) Provide quality physical infrastructure in the County Assembly
- b) Procure land and construct Speaker's residence
- c) Construct a modern County Assembly office block to house MCAs and staff
- d) To provide car facilities and housing for the members of the County Assembly

All the 68 members of the County Assembly, the Hon. Speaker and 2 members of the County Assembly of Meru Service Board have benefited from the fund. The management committee is committed to ensure that the fund is managed and grown for the objective of meeting future demands of the fund. This will include mechanisms to provide further funds that was used for transport facilitation benefit of Kshs. 140,000,000/= in February 2021.

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Increase in revolving fund	To provide car loans and housing scheme funds for all MCAs	All MCAs accessed the loans	71 MCAs benefited in 2020-2021	All MCAs benefited by the financial year 2020-2021



4. MANAGEMENT TEAM

Name	Details of qualifications and experience	D.O.B	DESIGNATION
1. 	Mr. Jacob Kirari Academic Profile -Bachelor of Business Admin -MBA -Pursuing degree in Law	1968	Clerk
2. 	Mr. Lawrence Gitari Ndi -CPA(K) -BBA -MBA	1971	Director Finance and Accounting
3. 	Mr. Stanely Kipkosgei Karonai -CPA(K) -CPS(K) -BBA -Dip. Project Management	04.01.1979	Deputy Director-Finance

## **5. FUND CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the County Assembly of Meru Members Car Loan and Housing Scheme Fund, the County Assembly of Meru Members Car Loan and Housing Scheme Fund financial statements for the year ended 30<sup>th</sup> June 2021. The financial statements present the financial performance of the fund over the past year.

### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. However, Kshs. 140,000,000/= was paid to members of the fund as Transport Facilitation Benefit following a presidential directive and subsequent approval by the Salaries and Remuneration Commission. The fund invested Kshs. 83,160,000/= in a Fixed Deposit Account with Family Bank of Kenya at a rate of 7%.

### **Review of performance**

#### **Income**

There was no additional revenue in the year under review. The fund earned interest income amounting to Kshs. 5,285,139 from the fund in the year ended 30<sup>th</sup> June 2021.

#### **Expenditures**

There was no disbursements made in the financial year 2020/2021 since all the current members have benefited from car loans and housing scheme loans in previous financial years. The total expenditures during the period amounted to Kshs. 5,123,106 /=-.

#### **Future outlook**

The outlook of the Fund for 2021/2022 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. However, the fund would need to rebuild its seed capital by an additional Kshs. 140,000,000/= to fill the capital gap occasioned by the granting of Transport Facilitation Benefit in February 2021.

#### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Meru and the County Assembly of Meru, the management committee and staff for their continued support which has enabled us to attain these results.

I look forward to your continued support in the year 2021/2022.

Signed: 

**Hon. Joseph Kaberia I.A.**

**Chairman, County Assembly of Meru Car Loan and Housing Scheme Fund**

**6. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the County Assembly of Meru Members car loan and housing scheme fund financial statements for the year ended 30<sup>th</sup> June 2021. The financial statements present the financial performance of the fund over the past year.

The fund was established on 21<sup>st</sup> June 2018 and started with an initial amount of Kshs 350,000,000/=

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June 2021, the fund did not receive any transfers from the exchequer.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Assembly	0	0	
Interest income	5,285,139	5,285,139	100%
<b>Total income</b>	<b>5,285,139</b>	<b>5,285,139</b>	<b>100%</b>

The management committee of this fund invested Kshs. 83,160,000/= at Family Bank of Kenya for an initial 6 month period from 8<sup>th</sup> April 2021 to 8<sup>th</sup> October 2021. This is one of the strategies that the fund is using to grow the fund and bridge the capital gap that was occasioned by the approval of the transport facilitation benefit. This approach was aimed at investing all idle funds in fixed deposits.

**b) Loans**

During the financial period under reporting, the fund did not disburse any loans to members. This is because all the MCAs and the Speaker had benefited from the fund in prior financial years. Since inception, the County Assembly of Meru Members Car Loan and Housing Fund has in total disbursed loans amounting to Kshs. 370,120,000/= to 71 applicants. This has ensured that all the members of the Current Assembly have been facilitated to have a car or house to enable them execute their constitutional mandate of legislation, oversight and representation more effectively.

Program	Objective	Outcome	Indicator	Performance
Disbursement to all beneficiaries	To provide car loans and housing scheme funds for all MCAs	All MCAs accessed the loans	71 MCAs benefited in 2020-2021	All MCAs benefited by the financial year 2020-2021

**County Assembly of Meru Members Car Loan and Housing Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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The car loan and housing scheme fund enabled all the members of the County Assembly of Meru to purchase motor vehicles and construct or purchase residential premises. As a risk management strategy, the County Assembly ensured that all the collateral used by the members to access the loans were properly secured and the title deeds charged accordingly at the lands registry. Further, all the members of the County Assembly undertook in writing to commit that their gratuity be used to offset the loan balances if any as at the end of the term.

The loans taken by the members of the County Assembly were also insured for the entire period of the loans.

**Cash flows**

In the FY 2020/2021, we had a reduction in the seed capital as a result of the implementation of the transport facilitation benefit to the tune of Kshs. 140,000,000/= for the Members and Speaker of the County Assembly of Meru. In the financial year 2022/2023, the County Assembly will make budgetary provisions to provide funds to increase the revolving fund back to Kshs. 350,000,000/= There will be a great challenge in the management of this fund if by the time the Third Assembly reports in September 2022 if by then then the fund has not been enhanced to the level of accommodating all the new MCAs applications for car loan and housing scheme funds.

**c) Conclusion**

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that County Assembly of Meru Members car loan and housing fund achieves its mission.

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

**Jacob Kirari**  
**Fund Administrator**

## **7. CORPORATE GOVERNANCE STATEMENT**

The County Assembly of Meru Members Car Loan and Housing Scheme Fund management committee held 10 meetings between 1<sup>st</sup> July 2020 and 30<sup>th</sup> June 2021. The meetings were fully attended. The Salaries and Remuneration Commission circular is used to pay the members sitting allowances as follows: Chairperson –Kshs.6,500/=, Vice Chairperson Kshs. 5,200/= and Members Kshs. 3,900/=

Section 6 (1) of the County Assembly of Meru Members Car Loan and Housing Scheme Fund Regulations, 2019 appoints the following as members of the loans management committee:

- a) One member of the County Assembly Service Board nominated by a resolution of the Board who shall be the Chairperson,
- b) The Leader of the Majority Party of the County Assembly,
- c) The Leader of the Minority Party of the County Assembly,
- d) Majority Party Whip of the County Assembly,
- e) Minority Party Whip of the County Assembly,
- f) Two members of the County Assembly being one man and one woman appointed by the County Assembly, and
- g) The Clerk of the County Assembly who shall be the secretary to the committee and *ex officio* member.

Unless the regulations are amended, the membership of the management committee shall stand as above listed. A member who loses a position at the County Assembly that qualified him or her as a member of the committee automatically loses the membership. The current membership will hand over to the new members after the 2022 General Elections.

The committee shall perform the following functions:

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- c) Supervise the day to day running of the fund

The fund conducted an induction training for the members of the committee together with the secretariat in Mombasa in August 2019. The induction was conducted by Parliamentary staff owing to their experience in the management of Parliament's car loan and mortgage fund. There is no service charter for the fund and no conflict of interest has been reported. The

***County Assembly of Meru Members Car Loan and Housing Scheme Fund***  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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management committee spent Kshs. 485,460/= in sitting allowances during the financial year 2020/2021. No ethics and governance audit was undertaken within the year under review.

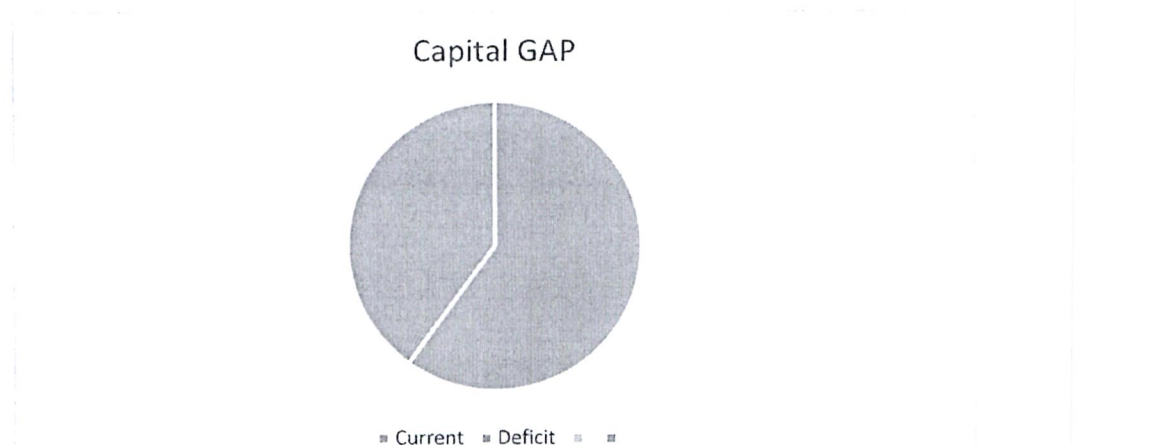
## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The County Assembly of Meru Members Car Loan and Housing Scheme Fund started with a seed capital of Kshs. 350,000,000/=. The seed capital has now reduced to Kshs. 210,000,000/= owing to the payment of transport facilitation benefit of Kshs. 140,000,000/=. Each MCA was paid Kshs. 2,000,000/= each while the Hon. Speaker was paid Kshs. 4,000,000/=.

In the year under review, no funds were disbursed to loan applicants. The management committee is optimistic that it will grow the fund to be able to meet all the needs of the members of the County Assembly. In pursuit of the aforementioned goal, Kshs. 83,160,000/= was invested on 8<sup>th</sup> April 2021 in a fixed deposit investment at the Family Bank of Kenya for an initial period of six months.

The County Assembly of Meru Members Car Loan and Housing Scheme Fund Management Committee has disbursed car loans and mortgages to all the members of the County Assembly of Meru. The recoveries from the payroll are received on a monthly basis and the committee is optimistic that by the end of the current legislative term, the seed capital will be available to be disbursed to the new members starting August 2022.

This will be attained through the annual budget process where the management committee intends to source for an additional Kshs. 140,000,000/= in the financial year 2022/2023 to seal the capital gap created as a result of implementation of the transport facilitation benefit in the year under review. This measure would ensure that the seed capital is restored to Kshs. 350,000,000/= before the next assembly in August 2022.



There is a risk of the fund failing to attain its objectives if the seed capital is not enhanced by September 2022.

The fund management committee is in discussions to look into various options for investments to grow the fund into a self-sufficient and robust fund that will meet the future objectives of the fund.

There is pending payment of Kshs. 42,000,000/= which arose from non-recovery of PAYE from car grants to members of the County Assembly. This will be recovered from members' gratuity at the end of their term.

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The County Assembly of Meru Members car loan and housing fund did not carry out any social responsibility activity during the year under review.



## **10. REPORT OF THE FUND MANAGEMENT COMMITTEE**

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

### **Principal activities**

The principal activities of the Fund are;

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- c) Supervise the day to day running of the fund

### **Performance**

The results of the Fund for the year ended June 30, 2021 are set out on page 17 to 22.

### **Trustees**

The members of the Board of Trustees who served during the year are shown on page 4. 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 to carry out the audit of the *County Assembly of Meru Members Car Loan and Housing Scheme* for the year ended June 30, 2021.

By Order of the Board



Hon. Lucy Makena Jason

Member of the Board

Date: 24.09.2021

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The County Assembly Service Act, 2017 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The County Assembly Service Act, 2017. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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.

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 24<sup>th</sup> September 2021 and signed on its behalf by:



**Jacob Kirari**  
**Administrator of the 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 COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING 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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Meru County Assembly Members Car Loan and Housing Fund set out on pages 18 to 57, which comprise the

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*Report of the Auditor-General on County Assembly of Meru Members Car Loan and Housing Fund for the year ended 30 June, 2021*

statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, 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 Meru County Assembly Members Car Loan and Housing 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 comply with the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Inaccuracies in the Statement of Cashflows**

The statement of cash flows reflects cash and cash equivalents balance of Kshs.108,950,032 and Kshs.164,090,173 as at 30 June, 2021 and 30 June, 2020 respectively. However, the following anomalies were noted:

#### **1.1 Variances in Comparative Balances**

The statement of cash flows for the year ended 30 June, 2021, notes and significant accounting policies to the financial statements reflect the following variances in relation to the comparative balances:

<b>Components/ Notes/Significant policy</b>	<b>2020/2021 Financial Statements Comparative Balance (Kshs.)</b>	<b>2019/2020 Financial Statements (Kshs.)</b>	<b>Variances (Kshs.)</b>
<b>Significant Accounting Policy Note (22f)</b>			
Total Borrowing	-	366,120,000	- 366,120,000
Net Debt	164,090,173	202,029,827	37,939,654

No evidence was provided on the repayment of the total borrowing of Kshs.366,120,000 appearing in significant accounting policy number 22 (d) of the 2019/2020 financial statements yet the statement of cash flows for the year ended 30 June, 2021 reflects Nil amount on repayment of borrowing.

In the circumstances, the accuracy of the statement of cash flows and cash and cash equivalents balance of Kshs.108,950,031 could not be confirmed.

#### **1.2 Unreconciled Variances in Proceeds from Loan Principal Repayments**

The statement of cash flows for the year ended 30 June, 2021 reflects Kshs.84,697,826 in respect to proceeds from loan principal repayments. However, the loan repayment

schedule provided for audit reflects Kshs.93,351,322 as proceeds from loan principal repayments received during the year under review resulting to an unexplained variance of Kshs.8,653,496.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2021 could not be confirmed.

## **2.0 Unreconciled Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2021 as disclosed in Note 12 reflects receivable balance of Kshs.109,452,496. However, the loan repayment schedule provided for audit review reflects a balance of Kshs.91,887,199 resulting to unreconciled variance of Kshs.17,565,297.

Under the circumstances, the accuracy of the receivables balance of Kshs.109,452,496 as at 30 June, 2021 could not be confirmed.

## **3.0 Unsupported Cash and Cash Equivalents**

The statement of financial position and as disclosed under Note 11 to the financial statements reflects a balance of Kshs.108,950,031 in respect to cash and cash equivalents as at 30 June, 2021, which further includes a balance of Kshs.84,480,108 being an amount held in the fixed deposit Account. However, the cash book for this bank account was not provided for audit review.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.108,950,031 as at 30 June, 2021 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those 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**

#### **Lack of Approved Budget**

The statement of comparison of budget and actual amounts reflects an income final budget of Kshs.5,285,139 and final expenditure budget of Kshs.5,123,106. However, an

approved budget for the County Assembly of Meru Members Car Loan and Housing Scheme Fund for the year under review was not provided for audit contrary to Section 129(3) of the Public Finance Management Act, 2012 which states that each county assembly clerk shall prepare and submit to the County Assembly the budget estimates for the County Assembly.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for 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**

#### **1.0 Non-Compliance with the Public Sector Accounting Standards Board Requirements**

Review of financial statements for the year ended 30 June, 2021 compared to the recommended Public Sector Accounting Standards Board (PSASB) template revealed that the report of the Fund Administrator was not prepared in the format recommended in the Public Sector Accounting Standards Board (PSASB) template. Details such as physical progress based on outputs, outcomes and impact since establishment, comment on each program implemented, comment on value for money achievement and implementation challenges were not indicated. It was also noted that a highlight of key risk management strategies was not included as required by The National Treasury and Planning Circular Ref:AG.4/16/2 Vol.3(72) dated 30 June, 2021 on the revised annual financial reporting templates.

Further, the corporate governance statement did not provide details of number of committee meetings and attendance and succession plan though these are required by the Public Sector Accounting Standards Board (PSASB) template.

In the circumstances, the financial statements were not prepared in accordance with the PSASB prescribed format.

#### **2.0 Unremitted Statutory Deductions and Other Dues**

During the year under review, car grants amounting to Kshs.140,000,000 and Kshs.4,000,000 all totalling to Kshs.144,000,000 were disbursed to sixty eight (68) Members of the County Assembly and the Speaker of County Assembly respectively.

However, it was observed that the PAYE due on the grants was not deducted and remitted to the Kenya Revenue Authority (KRA) contrary to the provisions of Section 3(2)(a)(ii) and Section 37(1) and (2) of the Income Tax Act and Section 95 of the Tax Procedures Act, 2015. The unpaid amount has therefore accrued penalties and interests totalling Kshs.46,200,000 according to KRA Letter Ref: PO51435468 dated 10 September, 2021.

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

### **3.0 Non-Compliance with Car Loan and Housing Scheme Fund Regulations**

Audit verification carried out revealed non-compliance with Car Loan and Housing Scheme Fund Regulations as follows:

- (i) Three (3) logbooks for three (3) applicants with loan balances totalling Kshs.3,681,323 were not jointly registered between the Fund and the borrower contrary to Regulation 11(2) of the County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019 which states that the log book of a motor vehicle funded under the Regulations shall be registered jointly between the Fund and the borrower and shall be kept in the custody of the Clerk until the loan is repaid in full by the borrower.
- (ii) Eight (8) mortgage application forms were not supported by mortgage protection policy and fire policy from an insurance firm approved by the Board contrary to Regulation 20(1) of County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019 which states that a borrower shall take out and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board.
- (iii) Six (6) application forms were not supported with approved copies of designs of proposed residential houses, bill of quantities and registration certificate of the contractors contrary to the requirement of Regulation 14(1) and 20(2) of County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019.
- (iv) No reports were provided to confirm that the money borrowed was used for the purchase, repair, development or renovation of residential properties as required by Regulation 15(1) of County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019 which states that a loan obtained can only be used on purchase, repair, development, renovation or repair of a residential house.
- (v) The committee had not conducted regular inspection and evaluation of the properties acquired, developed or renovated using mortgage funds borrowed to confirm physical existence of the properties acquired, developed or renovated using mortgage funds. Regulation 7(c) of County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulation, 2019 states that the committee shall supervise the day to day running of the Fund.

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

#### **4.0 Irregular Expenditure on Committee Meetings**

The statement of financial performance and Note 6 reflects Kshs.5,123,106 in respect to fund administration expenses, which includes Kshs.4,340,300 relating to domestic travel and subsistence.

However, review of the payment vouchers revealed that the expenditure was incurred on committee meetings held outside Meru County contrary to Section 12 of the Treasury Circular Ref.No 20/2015 of 4 November, 2015 which stipulates that the Accounting Officer shall ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station.

In addition, the approved budget and work plans were not provided to confirm these activities were budgeted for. The Management Committee incurred huge expenditure on activities away from the duty station before addressing one of the core mandate and functions of the committee as set out in Regulation 7(c) of the County Assembly of Meru Members Car Loan and Housing Fund Regulation, 2019 which states that the committee shall supervise the day to day running of the Fund.

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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **Failure to Carry out Internal Audit on Car Loan and Mortgage Fund**

During the year under review, no evidence was provided for audit that internal audit was carried out on the Fund, contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 that states that a County Government Entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.



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 overall governance.

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

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

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

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

26 July, 2022

**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	5,285,139	6,702,252
Other income	5	-	-
<b>Total revenue</b>		<b>5,285,139</b>	<b>6,702,252</b>
<b>Expenses</b>			
Fund administration expenses	6	5,123,106	7,168,455
General expenses	7		
Finance costs	8		
<b>Total expenses</b>		<b>5,123,106</b>	<b>7,168,455</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/( deficit) for the period</b>		<b>162,032</b>	<b>-466,203</b>

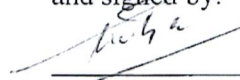
The notes set out on pages 37 to 55 form an integral part of these Financial Statements


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13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	108,950,031	164,090,173
Current portion of long- term receivables from exchange transactions	12	93,714,348	115,161,108
Prepayments			
Inventories			
Receivables	12	13,792,026	
		<b>216,456,348</b>	<b>279,251,281</b>
<b>Non-current assets</b>			
Property, plant and equipment	14		
Intangible assets	15		
Long term receivables from exchange transactions	12	1,946,122	78,989,214
<b>Total assets</b>		<b>218,402,527</b>	<b>358,240,495</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16		
Provisions	17		
Current portion of borrowings	18		
Employee benefit obligations	19		
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	19		
Long term portion of borrowings	12		
<b>Total liabilities</b>			
<b>Net assets</b>		<b>218,402,527</b>	<b>358,240,495</b>
Revolving Fund		350,000,000	350,000,000
Reserves		140,000,000-	-
Accumulated surplus		8,402,527	8,240,495
<b>Total net assets and liabilities</b>		<b>218,402,527</b>	<b>358,240,495</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24.09 2021 and signed by:

  
 Administrator of the Fund  
 Jacob Kirari

  
 Fund Accountant  
 Lawrence Gitaari Ndi  
 ICPAK Member No. 9200

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

	Revolving Fund	Revaluation Reserve	Accumulate d surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2019</b>	<b>350,000,000</b>	-	<b>8,706,698</b>	<b>358,706,698</b>
Surplus/(deficit) for the period		-	-466,203	-466,203
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>350,000,000</b>	-	<b>8,240,495</b>	<b>358,240,495</b>
<b>Balance as at 1 July 2020</b>	<b>350,000,000</b>	-	<b>8,240,495</b>	<b>358,240,495</b>
Surplus/(deficit) for the period		-	162,032	162,032
Funds received during the year	-	-	-	-
Transport Facilitation Benefit	-140,000,000			-140,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>210,000,000</b>	-	<b>8,402,527</b>	<b>218,402,527</b>

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

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		-	-
Interest received		5,285,139	6,702,252
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>5,285,139</b>	<b>6,702,252</b>
<b>Payments</b>			
Fund administration expenses	6	5,123,106	7,168,455
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
<b>Net cash flows from operating activities</b>		<b>162,033</b>	<b>-466,203</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		84,697,826	86,323,038
Loan disbursements paid out		140,000,000	11,273,000
<b>Net cash flows used in investing activities</b>		<b>-55,302,174</b>	<b>74,583,835</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-55,140,141</b>	<b>74,583,835</b>
Cash and cash equivalents at 1 JULY	11	164,090,173	89,506,338
<b>Cash and cash equivalents at 30 JUNE</b>	<b>11</b>	<b>108,950,032</b>	<b>164,090,173</b>

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**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.						
Interest income	5,285,139	-	5,285,139	5,285,139	-	100
Other income						
<b>Total income</b>	<b>5,285,139</b>	<b>-</b>	<b>5,285,139</b>	<b>5,285,139</b>	<b>-</b>	
<b>Expenses</b>						
Fund administration expenses	5,123,106	-	5,123,106	5,123,106	-	100
General expenses						
Finance cost						
<b>Total expenditure</b>	<b>5,123,106</b>	<b>-</b>	<b>5,123,106</b>	<b>5,123,106</b>	<b>-</b>	
<b>Surplus/ (Deficit) for the period</b>	<b>162,032</b>		<b>162,032</b>	<b>162,032</b>		



### **13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Statement of compliance and basis of preparation**

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

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

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**2. Adoption of new and revised standards**

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

Standard/ Amendments : Applicable: 1 <sup>st</sup> January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	There was no impact of the amendment to IPSAS 33 with respect to the current financial report

**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><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></p>

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Standard	Effective date and impact:
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> 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: <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</li> </ul> <i>(State the impact of the standard to the entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2022:</b> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> 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.

## 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 2<sup>nd</sup> July 2020. 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 did not record additional appropriations in the FY 2020/2021.

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 13.5 of these financial statements.

**5. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**6. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

**Held-to-maturity**

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

**Impairment of financial assets**

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

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

- 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.

### **8. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.



## **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.

### **9. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **Contingent liabilities**

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**10. Nature and purpose of reserves**

The Entity does not maintain any reserves.

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

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

**12. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

**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.

**13. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**14. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**15. Related parties**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**16. Cash and cash equivalents**

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

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by The County Assembly Service Act, 2017. Its ultimate parent is the County Government of Meru.

**20. Currency**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**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:

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. There were no additional disclosure of these estimates of provisions.

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

**22. Financial risk management**

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

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

**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
<b>At 30 June 2021</b>				
Receivables from exchange transactions	109,452,493	93,714,348	15,738,145	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	108,950,031	-	-	-
<b>Total</b>	<b>218,402,524</b>			
<b>At 30 June 2020</b>				
Receivables from exchange transactions	115,161,108	115,161,108	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	164,090,173	-	-	-
<b>Total</b>	<b>279,251,281</b>			

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 past due receivables.

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
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-



**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.

**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:

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2021</b>			
Euro	10%		
USD	10%		
<b>2020</b>			
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 52,852 (2021: KShs 5,285,139). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 335,113 (2020 – KShs 6,702,252)

### f) Capital risk management

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve		
Revolving fund	350,000,000	350,000,000
Accumulated surplus	8,402,527	8,240,595
<b>Total funds</b>	<b>358,402,527</b>	<b>358,240,595</b>
Total borrowings	-	-
Less: cash and bank balances	108,950,031	164,090,173
Net debt/(excess cash and cash equivalents)	108,950,031	164,090,173
<b>Gearing</b>	<b>31%</b>	<b>46%</b>

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

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		
<b>Total</b>	-	-

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties		
Fines		
<b>Total</b>		

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	3,965,031	6,702,252
Interest income from car loans		
Interest income from investments	1,320,108	
Interest income on bank deposits		
<b>Total interest income</b>	<b>5,285,139</b>	<b>6,702,252</b>

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**5. Other income**

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income		
<b>Total other income</b>		

**6. Fund administration expenses**

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 7)		
Loan processing costs		
Professional services costs		
Administration fees	5,123,106	7,168,455
<b>Total</b>	<b>5,123,106</b>	<b>7,168,455</b>

**7. Staff costs**

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
<b>Total</b>		

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

**8. 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		
<b>Total</b>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/ (loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
County Assembly of Meru Members Car loan and Mortgage account	108,950,031	164,090,173
<b>Total cash and cash equivalents</b>	<b>108,950,031</b>	<b>164,090,173</b>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	2020/2021 KShs	2019/2020 KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Family Bank-FDR	063000061872	84,480,108	
<b>Sub- total</b>		<b>84,480,108</b>	
<b>b) On - call deposits</b>			
Kenya Commercial bank			
Equity Bank - etc			
<b>Sub- total</b>			
<b>c) Current account</b>			
Equity Bank	0140276191615	50,000	164,090,173
Family Bank	063000061872	24,419,923	0
<b>Sub- total</b>		<b>24,469,923</b>	<b>164,090,173</b>
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
M Pesa			
<b>Sub- total</b>			
<b>Grand total</b>		<b>108,950,031</b>	<b>164,090,173</b>

12. Receivables from exchange transactions

Description	2020/2021 KShs	2019/2020 KShs
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due	13,792,026	
Other exchange debtors	93,714,345	115,161,108
Less: impairment allowance		
<b>Total Current receivables</b>	<b>107,506,371</b>	<b>115,161,108</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	1,946,122	78,989,214
<b>Total Non- current receivables</b>	<b>1,946,122</b>	<b>78,989,214</b>
<b>Total receivables from exchange transactions</b>	<b>109,452,493</b>	<b>194,150,322</b>

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**Additional disclosure on interest receivable**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Interest receivable</b>		
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		
<b>Current loan repayments due</b>		
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		

**13. Revenue from Non-Exchange transaction**

Description	KShs	KShs
	2020/2021	2019/2020
	KShs	KShs
Transfer to County Executive		
<b>Total receivables from non-exchange transactions</b>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

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

15. Inventories

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

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

**16. Property, plant and equipment**

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

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At 30 <sup>th</sup> June 2020					
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Intangible assets-software**

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

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

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

**19. 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				
<b>Balance at the end of the year (30.06.2021)</b>				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

	2020/2021	2019/2020
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'		
Sterling Pound denominated loan from 'yyy organisation'		
Euro denominated loan from zzz organisation'		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
<b>Total balance at end of the year</b>		

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		
<b>Total</b>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. 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				
<b>Total employee benefits obligation</b>				



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

**22. Cash generated from operations**

	2020/2021	2019/2020
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in payables		
<b>Net cash flow from operating activities</b>		

**23. Related party balances**

**a) Nature of related party relationships**

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

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

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	485,460	650,455
<b>Total</b>		

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry		
Due from County Government		
<b>Total</b>		

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
<b>Total</b>		

24. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case against the Fund		
Bank guarantees		
<b>Total</b>		

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

The report of the Auditor General for period ended 30<sup>th</sup> June, 2020 is yet to be released by the Auditor General.