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REPORT

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OF

THE AUDITOR-GENERAL

ON

**TRANS NZOIA COUNTY (EXECUTIVE) CAR
LOAN AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



**TRANS NZOIA COUNTY (EXECUTIVE) CAR LOAN AND MORTGAGE
SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2020

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

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

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Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 and the Public Finance Management Act No 18 of 2012. The Fund is wholly owned by the County Government of Trans Nzoia Executive and is domiciled in Kenya.

b) The fund objective is

The Fund's principal activity is to Provide a loan scheme for the Purchase of Motor Vehicles or Land for the development, renovation or repair of residential property by members of the scheme

c) Fund Administration Committee

Ref	Name	Position
1	Hon Boniface Wanyonyi Cosmas	CECM-Finance and Economic Planning
2	Hon Claire N Wanyama	CECM- Health
3	Hon Simon Kisegei	CECM- Trade and Commerce
4	Hon Susan Nelima	CECM-Lands,Housing&Urban Development
5	CPA Emmanuel Sikuku Wanjala	County Chief Officer of Finance

d) Key Management

Ref	Name	Position
1	Hon Boniface Wanyonyi Cosmas	Chair Person
2	Hon Claire N Wanyama	Vice chair person
3	Hon Simon Kisegei	Member
4	CPA Emmanuel Sikuku Wanjala	Fund Administrator
5	Dinah Naswa Makokha	Fund Secretary

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

e) Registered Offices

P.O. Box 1886-30200
County Head Quarters Building
MOI Avenue
Kitale, KENYA

f) Fund Contacts

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

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity bank
Account no
P.O. Box 4211
Kitale-KENYA

h) Independent Auditors

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

i) Principal Legal Adviser

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

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

2. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Insert each key Manager's passport-size photo and name,	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details
2. Manager 2	
3. Manager 3	
4. Manager 4	

3. FUND CHAIRPERSON'S REPORT

The Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund was established in the year 2018. This Financial statements presents the financial performance of the fund for financial year 2019/2020

Sustainability

The fund is increasingly emphasizing on the need to ensure that there is sustainability for both investments, resource mobilization and financing capabilities, with an objective of ensuring that funds going concern is secured.

Review of Performance

Income

Last financial year the fund did not receives any from exchequer but the fund earned an interest income of Shs 1,177,166.00

Expenditures

The total expenditures during the period amounted to kshs 1,440.00 which was used as administration expenses, such as hospitality related activities and bank charges

Appreciation

I take this opportunity to express my gratitude and appreciation to my fellow committee members and all county staff at large for your continued support in last financial year and once more I urge you to continue with the same spirit next financial year.



Hon. Bonface Wanyonyi Cosmas

Fund Administration Chairman

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

4. REPORT OF THE FUND ADMINISTRATOR

It is my Pleasure to present the Trans Nzoia Executive County Car loan and Mortgage Scheme fund for F/Y ended 30/6/2020. The statements present the financial performance of the fund over the past year

The scheme was established in the 2018 and started with an initial capital of kshs 59,000,000.00 in the F/Y 2018/2019. In the financial year under review, the fund has disbursed additional loans of kshs 14,000,000.00 to beneficiaries.

Financial performance

a) Revenue

In the year under review, No Revenue received from exchequer but we had an interest income of kshs 1,177,166.00

Sources of Revenue	Actual Amount Kshs
Transfer From exchequer	-
Interest Income	1,177,166.00
Total income	1,177,166.00

b) Loans

During the financial year 2019/2020, the fund disbursed Car loan and Mortgage Scheme of kshs 14,000,000.00 totalling to loan disbursed to beneficiaries to date to kshs 72,000,000.00

c) Cash Flows

Financial year 2019/2020, we have not had any liquidity disruptions. The cash and cash equivalent was kshs 4,539,006.00 as at 30th June 2020

d) Conclusion

Financial year 2019/2020 has been a good year in general. May I take this opportunity to thank the management of fund for their support. I too thank all staffs who have worked tirelessly to ensure that the fund achieves its mandate



Emmanuel Sikuku Wanjala

Fund Administrator

5. CORPORATE GOVERNANCE STATEMENT

The Executive County Government of Trans Nzoia Car Loan and Mortgage scheme is a revolving fund established Pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 VOL.111(128) OF 17TH December 2014 and section 167 Of Public Finance Management (PFM) Act 2012. Its mandate is to provide Car Loans and Mortgage to executive staff members of the County. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

The roles and functionality of the Fund is drawn from the Executive County Government of Trans Nzoia Regulations 2018

STATEMENT OF COMPLIANCE

The fund Administration Committee confirms that the fund has throughout the financial year 2019/2020, complied with all statutory and regulatory requirements and the fund has been managed in accordance with the principles of good corporate governance

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The fund Administration Committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute assurance regarding the safe guard of assets against unauthorised use.

Internal Control framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control. There were no significant weaknesses identified during the financial year 2018/2019.

Management Team

The management team headed by the Fund Administrator implements the Loans Management Committee decisions and Policies through committee Meetings. The team meets regularly to ensure that the committee'

Auditors

The Fund is Audited by the Office of Auditor General (OAG) Kakamega Hub.

6. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management Act 2012 section 116 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Finance Management Act 2012 section 116. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

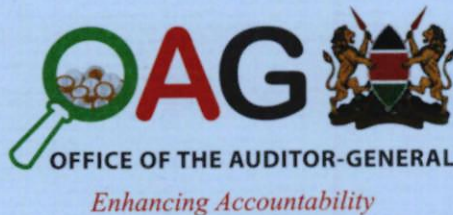
The Fund's financial statements were approved by the Board on _____ 2020 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TRANS NZOIA COUNTY (EXECUTIVE) CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund set out on pages 10 to 24, which comprise the statement of financial position as at 30 June, 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018.

Basis for Opinion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Compliance 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Unsecured Long-Term Receivables from Exchange Transaction

Note 4A to the financial statements reflects a non-current receivables due balance of Kshs.55,890,569 under for both car loan and mortgages which are not secured with registration of logbooks and title deeds on joint ownership of the acquired assets, contrary to regulations which require joint registration of ownership and placing the title document in custody of the Fund's administration.

The Fund, therefore, contravened Regulation 10(2) of the Public Finance Management of the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 which requires that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the County Government and the member of the Scheme and shall be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme.

In addition, the Fund failed to adhere to Regulation 16(1) of the Public Finance Management of the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 which requires that the Fund shall have a charge registered on the property financed through a loan granted and shall be entitled to have its name entered in all documents of title for such property.

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

2.0 Failure to Insure the Loans Under the Fund

Note 4A to the financial statements reflects a non-current receivables due balance of Kshs.55,890,569 under for both car loan and mortgages. However, the Loan Management Committee did not provide the loan insurance policies for the motor vehicles and mortgages for audit verification.

The Fund, therefore, failed to adhere to Regulation 17(1) of the Public Finance Management the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 which requires a borrower of a loan to take out and maintain a comprehensive policy for a motor vehicle purchased out of a loan from the fund at all times until the loan is repaid in full, the cost of which shall be paid out of the fund and debited in such borrower's account.

In addition, the Fund failed to adhere to Regulation 17(2) of the Public Finance Management the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 which requires a borrower of a loan for purchase of a mortgage to take out a mortgage protection policy and a fire policy with a licensed insurance firm, the cost of which shall be paid out of the fund and debited in such borrower's account.

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

3.0 Un-recovered Loan Arrears

Included in the long-term loan repayments due of Kshs.55,890,569 under Note 4A in the financial statements, is a balance of Kshs.6,000,000 relating to loans advanced to three beneficiaries and for which no progress had been made to initiate the recovery process.

Consequently, the Fund was not in contravention of Regulation 17(2) of the Public Finance Management the Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund Regulations, 2018 which requires which states that a loan granted shall be fully repaid as per the Salaries and Remuneration Commission guidelines.

In the circumstances, it was not possible to confirm the recoverability of the loan balance of Kshs.6,000,000 reported as at 30 June, 2020.

4.0 Non-Recovery and Remittance of Fringe Benefit Tax

The The Management of Trans Nzoia County Executive did not remit to Kenya Revenue Authority (KRA) fringe benefit tax accrued from the low interest loans extended to its members during the year amounting to Kshs.470,290 as tabulated below.

Interest @ 3% P.A Kshs.	Interest at KRA Prescribed Rate @ 7% P.A Kshs.	Taxable Fringe Benefit Kshs.	FBT @ 30% Kshs.
1,175,726	2,743,361	1,567,635	470,290

Thus, the Management did not comply with the Section 12(B1) of the Income Tax Act, 2010 that requires an employer to pay fringe benefit tax in respect of a loan provided to an employee or director at an interest rate lower than the market interest rate.

Further, the Management was in contravention of Section 12(3) of the Act which requires that fringe benefit tax to be charged on the total taxable value of a fringe benefit provided by an employer in a month and remitted on or before the tenth day of the following month to KRA.

Consequently, the County Executives exposed to penalties and interest due to non-compliance with provisions of the Income Tax Act.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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 Gatundu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

**- Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

8. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from exchange transactions			
Interest income	1	1,177,166	491,758
Total revenue		1,177,166	491,758
Expenses			
General expenses	2	1,440	10,932
Total expenses		1,440	10,932
Surplus for the period		1,175,726	480,826


The notes set out on pages 21 to 23 form an integral part of these Financial Statements

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

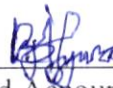
8.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	3	4,539,006	6,012,869
		4,539,006	6,012,869
Non-current assets			
Long term receivables from exchange transactions	4	56,117,546	53,467,957
		56,117,546	53,467,957
Total assets		60,656,552	59,480,826
Net assets			
Revolving Fund	7	59,000,000	59,000,000
Accumulated surplus		1,656,552	480,826
Total net assets and liabilities		60,656,552	59,480,826

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



 Administrator of the Fund
 Name:



 Fund Accountant
 Name:
 ICPAK Member Number:

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	-	-	-	-
Surplus/(deficit) for the period	-	-	480,826	480,826
Funds received during the year	59,000,000	-	59,000,000	59,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	59,000,000	-	59,480,826	59,480,826
Balance as at 1 July 2019	59,000,000	-	480,826	59,480,826
Surplus/(deficit) for the period	-	-	1,175,726	1,175,726
Balance as at 30 June 2020	59,000,000	-	1,656,552	60,656,552

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
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8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1	1,177,166	491,758
Total Receipts		1,177,166	491,758
Payments			
General expenses	2	1,440	10,932
Total Payments		1,440	10,932
Cash flows from operating activities		1,175,726	480,826
Adjusted for:			
Interest due during the year	4B	(226,977)	-
Net cash flows from operating activities		948,749	480,826
Cash flows from investing activities			
Proceeds from loan principal repayments	4A	11,577,388	4,532,043
Loan disbursements paid out	4A	(14,000,000)	(58,000,000)
Net cash flows used in investing activities		(2,422,612)	(53,467,957)
Cash flows from financing activities			
Proceeds from revolving fund receipts	7	-	59,000,000
Net cash flows used in financing activities		-	59,000,000
Net increase/(decrease) in cash and cash equivalents		(1,473,863)	6,012,869
Cash and cash equivalents at 1 JULY	b/f	6,012,869	-
Cash and cash equivalents at 30 JUNE	3	4,539,006	6,012,869

8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Interest income	1,177,166	-	1,177,166	1,177,166	-	100%
Total income	1,177,166	-	1,177,166	1,177,166	-	100%
Expenses						
General expenses	1,440	-	1,440	1,440	-	100%
Total expenditure	1,440	-	1,440	1,440	-	100%
Surplus for the period	1,175,726	-	1,175,726	1,175,726	-	100%

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Early adoption of standards

The Trans Nzoia County Executive Car and Mortgage Scheme Fund adopted reporting in the Financial Year 2018-2019.

3. Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 27th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of two Supplementary budgets that were approved and passed on 27th February, 2020 and 7th May, 2020 respectively on the FY 2019/2020 budget following the governing body's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 8.1 of these financial statements.

5. Financial instruments

Financial assets

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

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.

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Nature and purpose of reserves

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

6. 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.

7. Related parties

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

8. Cash and cash equivalents

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

9. Comparative figures

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

10. Events after the reporting period

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

Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Ultimate and Holding Entity

The Trans Nzoia County (Executive) Car and Mortgage Scheme Fund is a County Public Fund established by Public Finance Management Act 2012 Section 116 under the department of Finance. Its ultimate parent is the County Executive of Trans Nzoia.

12. Currency

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

13. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made:

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.

14. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	56,117,546	56,117,546	-	-
Bank balances	4,539,006	4,539,006	-	-
Total	60,656,552	60,656,552	-	-
At 30 June 2018				
Receivables from exchange transactions	53,467,957	53,467,957	-	-
Bank balances	6,012,869	6,012,869	-	-
Total	59,480,826	59,480,826	-	-

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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Capital risk management

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

	2019/2020	2018/2019
	Kshs	Kshs
Revolving fund	59,000,000	59,000,000
Accumulated surplus	1,175,726	480,826
Total funds	60,175,726	59,480,826
Total borrowings	14,000,000	58,000,000
Less: cash and bank balances	(4,539,006)	(6,012,869)
Net debt/(excess cash and cash equivalents)	9,460,994	51,987,131
Gearing	16%	87%

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8.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2019/2020	2018/2019
	Kshs	Kshs
Interest income from Mortgage loans	989,550	393,554
Interest income from car loans	187,616	98,204
Total interest income	1,177,166	491,758

2. General Expenses

Description	2019/2020	2018/2019
	Kshs	Kshs
Bank charges	1,440	10,932
Total general expenses	1,440	10,932

3. Cash and cash equivalent

Description	2019/2020	2018/2019
	Kshs	Kshs
T/Nzoia Car loan and Mortgage account	4,539,006	6,012,869
Total cash and cash equivalents	4,539,006	6,012,869

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

Financial institution	Account number	2019/2020	2018/2019
		Kshs	Kshs
Current account			
Equity Bank	0330277826034	4,539,006	6,012,869
Total		4,539,006	6,012,869

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NOTES TO FINANCIAL STATEMENT (CONTINUED)

4. Receivables from exchange transactions

Description	2019/2020	2018/2019
	Kshs	Kshs
4A. Non-Current receivables		
Balance brought forward	53,467,957	
Add: Loans Disbursed Out	14,000,000	58,000,000
Less: Proceeds from loan recoveries	(11,577,388)	(4,532,043)
Non-Current receivables due	55,890,569	53,467,957
4B. Interest Receivables		
Gross Interest Income Due	1,177,166	491,758
Less: Interest Received during the year	(950,189)	(491,758)
Interest due during the year	226,977	-
Total Receivables from Exchange Transactions	56,117,546	53,467,957

5. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	Kshs	Kshs
Account receivable as at 1 st July 2019 (A)	53,467,957	-
Account receivable issued during the year (B)	14,000,000	58,000,000
Account receivable settled during the Year (C)	(11,577,388)	(4,532,043)
Net changes in account receivables D= A+B-C	55,890,569	53,467,957

6. Cash generated from Operations

	2019/2020	2018/2019
	Kshs	Kshs
Surplus/ (deficit) for the year before tax	1,656,552	480,426
Adjusted for:		
Interest income	1,177,166	491,758
Working Capital adjustments		
Increase in receivables	(2,649,499)	(53,467,957)
Net cash flow from operating activities	184,219	(52,495,773)

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NOTES TO FINANCIAL STATEMENT (CONTINUED)

7. Revenue from Non-Exchange transaction

Description	2019 - 2020	2018 - 2019
	Kshs	Kshs
Transfers to Fund	-	59,000,000
Total receivables from non-exchange transactions	-	59,000,000

8. Related party balances

a) Nature of related party relationships

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

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

**Trans Nzoia County (Executive) Car Loan and Mortgage Scheme Fund
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**9. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
RECOMMENDATIONS**

The Fund was not audited in the financial year ending 30 June 2019.