

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**NAIROBI CITY COUNTY ASSEMBLY CAR
LOAN SCHEME FUND**

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

NAIROBI CITY COUNTY ASSEMBLY
 Car Loan Scheme Fund
 Financial Statements
 For the year ended June 30, 2019 (Kshs'000)

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NAIROBI CITY COUNTY ASSEMBLY KEY INFORMATION AND MANAGEMENT

(a) Background information

County Assemblies are established pursuant to Article 176(1) of the Constitution of Kenya. Accordingly section 12 of the County Governments Act establishes County Assembly Service Boards for each County government. Among the functions bestowed upon County Assembly Service Boards is preparation of annual financial estimates of expenditure, exercising budgetary control and performing other functions prescribed by national legislation. Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee Member for Finance to establish County Public Funds with the approval of the County Executive Committee and the County Assembly. Subsection 7 requires the administrator of a County Public Fund to prepare Accounts for each financial year and submit them to the Auditor General.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car Loan Scheme Fund with the approval of the County Assembly. The Clerk of the County Assembly, being the Accounting Officer of the Assembly was subsequently appointed the administrator of the fund.

(b) Key Management

The County Assembly's day-to-day management is under the Nairobi City County Assembly Service Board.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility was Jacob Ngwele, the Secretary of the Nairobi City County Assembly Service Board as well as the Clerk and the Accounting Officer of the County Assembly.

(d) Fiduciary Oversight Arrangements

The fiduciary oversight arrangement was as offered by;

- The County Assembly's Public Accounts Committee
- Kenya National Audit Office

NAIROBI CITY COUNTY ASSEMBLY
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- **Controller of Budget**

(e) Nairobi City County Assembly Headquarters

P.O. Box 45844-00100

City Hall Building

Second floor

Mama Ngina Street

Nairobi, KENYA

(f) Nairobi City County Assembly Contacts

Telephone: (254) 020 2216151

E-mail: clerk@nrbcountryassembly.go.ke

Website: www.nrbcountryassembly.go.ke

(g) Nairobi City County Assembly Bankers

Cooperative Bank of Kenya Ltd

City Hall Branch

P.O.BOX, 44805-00100

Nairobi

(h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

(i) Senior Legal Counsel

Office of the Clerk

Thro' Qualified Legal Advocates

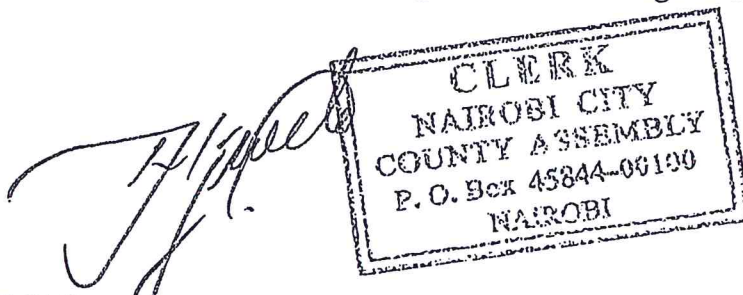
P.O.Box. 45844 – 00100

Nairobi

FORWARD BY THE CLERK TO THE COUNTY ASSEMBLY

The Nairobi City County Assembly Car Loan Scheme Fund is a revolving fund established pursuant to Regulation 3 of the to the Public Finance Management (*Nairobi City County Assembly Car Loan Scheme Fund*) Regulations 2014 as read together with section 116 of the Public Finance Management Act, 2012 and circulars ref SRC/TS/WB/3/14 from the Salaries and Remunerations Commission dated 14th February 2014.

The Fund started operations in June 2014 under the said Regulations, Public Finance Management (*Nairobi City County Assembly Car Loan Scheme Fund*) Regulation, 2014. During the year under reporting and pursuant to merging of the Car Loan and Mortgage benefits for Members of County Assemblies by the Salaries and Remuneration Commission, the County Assembly adopted new Regulations, the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. These Regulations were gazetted in July 2018 and came into force during the period under reporting – Financial Year 2018/2019. The Fund was therefore operating under the transitional clause as provided for under Regulation 35 of the new Regulations – the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. Full transition however was effective 1st July 2019. These Financial Statements marks the end of financial reporting under the old Regulations of 2014.



The image shows a handwritten signature in black ink over a rectangular official stamp. The stamp contains the following text: 'CLERK', 'NAIROBI CITY COUNTY ASSEMBLY', 'P. O. Box 45844-00100', and 'NAIROBI'.

CLERK, NAIROBI CITY COUNTY ASSEMBLY

NAIROBI CITY COUNTY ASSEMBLY
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STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES

Section 116 (7) of the Public Finance Management Act, 2012 provides that, at the end of each Financial Year, the administrator for a County Public Fund shall prepare financial statements in respect of that fund.

The administrator in charge of the Nairobi City County Assembly Car Loan Scheme 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 each Financial Year. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that they 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.

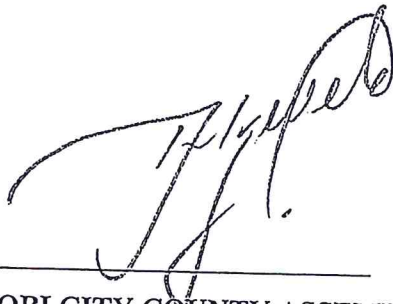
The Administrator of the Nairobi City County Assembly Car Loan Scheme Fund has accepted the responsibility for the Fund's Financial Statements as set out in pages 8-13, which have been prepared using appropriate accounting policies in accordance with International Public Sector Accounting Standards on accrual basis (IPSAS Accrual). The Administrator is of the opinion that the financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2019, and of the Fund's Financial Position as at that date. The Administrator of the Nairobi City County Assembly Car Loan Scheme Fund further confirms the completeness

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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.

Approval of the financial statements

The Fund's Financial Statements were approved and signed by the Accounting Officer on 27th September 2019.



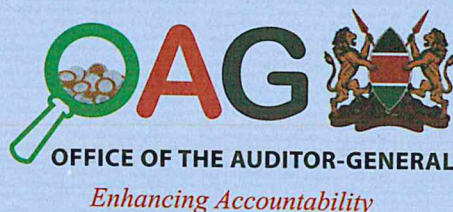
CLERK, NAIROBI CITY COUNTY ASSEMBLY
(FUND ADMINISTRATOR)



SNR FINANCE AND PLANNING OFFICER
(ICPAK MEMBERSHIP No. 3928)

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ASSEMBLY CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Nairobi City County Assembly Car Loan Scheme Fund set out on pages 8 to 13, which comprise the statement of financial position as at 30 June, 2019, and the statement of income and expenditure, cashflow statement, statement of changes in equity 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 Nairobi City County Assembly Car Loan Scheme Fund as at 30 June, 2019, and 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 County Governments Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City County Assembly Car Loan 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 audit procedures performed, I confirm that, nothing 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 Opinion

My responsibility is to express a conclusion based on the review. The review was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to 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.

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 overall governance were not effective.

Basis for Opinion

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 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 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 overall 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

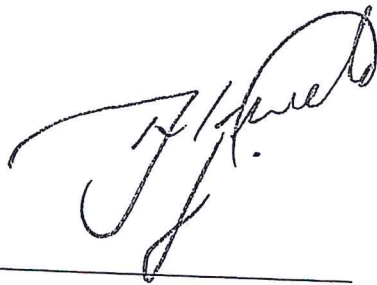
Nairobi

06 December, 2021

NAIROBI CITY COUNTY ASSEMBLY
 Car Loan Scheme Fund
 Financial Statements
 For the year ended June 30, 2019 (Kshs'000)

STATEMENT OF INCOME AND EXPENDITURE
 FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 Ksh. '000'	2018 Ksh. '000'
<u>Income</u>			
Loan Interest paid by Borrowers	2	3,674	1,541
Interest Accrued in the fund	3	5,875	7,729
Total Receipts "a"		9,549	9,270
<u>Expenditure</u>			
Administrative Expenses Paid		6,127	1,788
Bank Charges		34	32
Total Expenditure "b"		6,161	1,820
Surplus/(Deficit)("a" - "b" = "c")		3,388	7,450
Surplus/ (Deficit) B/F		21,447	13,997
Surplus/ (Deficit) C/F		24,835	21,447



CLERK, NAIROBI CITY COUNTY ASSEMBLY
 (FUND ADMINISTRATOR)



SNR FINANCE AND PLANNING OFFICER
 (ICPAK MEMBERSHIP No. 3928)

NAIROBI CITY COUNTY ASSEMBLY
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STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2019

	Note	2019	2018
	s	Ksh. '000'	Ksh. '000
<u>Non-Current Assets</u>			
Long term Debtors	1	73,375	91,9
<u>Current Assets</u>			
Cash and Equivalents	Cash 4	106,150	190,7
Short term Debtors	1	39,310	327
Total Assets		218,835	315,47
<u>Financed By</u>			
Car Loan Fund Account	5	194,000	294,00
Income and Expenditure Account (Accumulated Surplus/ (Deficit)		24,835	21,47
Net Value of the Fund		218,835	315,47

CLERK, NAIROBI CITY COUNTY ASSEMBLY
 (FUND ADMINISTRATOR)

SNR FINANCE AND PLANNING OFFICER
 (ICPAK MEMBERSHIP NUMBER 392)

NAIROBI CITY COUNTY ASSEMBLY
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CASHFLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 Ksh '000'	2018 Ksh'000'
Cash flows from operating activities			
Cash receipts			
Loan Interest Paid by Members	2	3,674	1,541
Interest paid into the fund from deposits		6,653	7,729
Total cash received from operating activities 'a'		<u>10,327</u>	<u>9,270</u>
Cash Payments			
Fund Administrative fees paid		6,127	1,788
Bank charges		34	32
Total cash payments 'b'		<u>6,161</u>	<u>1,820</u>
Net Cash from operating Activities 'a'-'b'='c'		<u>4,166</u>	<u>7,450</u>
Cash flows from investing activities			
Loans paid by members		35,760	13,355
Loans advanced to members		(24,566)	(130,311)
Net cash flows from investing activities 'd'		<u>11,194</u>	<u>(116,957)</u>
Cash flows from financing activities			
Cash Receipts from County Treasury			0
Cash paid into Mortgage Loan Account		100,000	0
Net cash flows from financing activities 'e'		<u>(100,000)</u>	<u>0</u>
Net increase (decrease) in cash and Cash equivalents 'f'		(84,640)	(109,507)
Cash at the beginning of period 'g'		<u>190,790</u>	<u>300,297</u>
Cash at the end of period (f+g)	4	<u>106,150</u>	<u>190,790</u>

NAIROBI CITY COUNTY ASSEMBLY
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019

	Car Loan Fund Account KSH (000')	Accumulated Surplus/Deficit KSH (000')	Total KSH (000')
Balance b/f 1st July 2015	256,000	2,210	258,210
Transfers into the fund	-	-	-
Surplus for the year	-	4,499	4,499
Balance as at 30th June 2016	256,000	6,709	262,709
Balance b/f 1st July 2016	256,000	6,709	262,709
Transfers into the fund	38,000	-	38,000
Surplus for the year	-	7,288	7,288
Balance as at 30th June 2017	294,000	13,997	307,997
Balance b/f 1st July 2017	294,000	13,997	307,997
Transfers into the fund	-	-	-
Surplus for the year	-	7,450	7,450
Balance as at 30th June 2018	294,000	21,447	315,447
Balance b/f 1st July 2018	294,000	21,447	315,447
Transfers out of the fund	100,000	-	100,000
Surplus for the year	-	3,388	3,388
Balance as at 30th June 2019	194,000	24,835	218,835

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS) accrual basis. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the fund and all values are rounded to the nearest one thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

2. Budget

The Fund operates as a revolving fund and therefore the amounts deposited therein are available for borrowing at any time provided it is for the purpose for which the Fund was established. The fund however may receive transfers from the County Revenue Fund as may be budgeted for in Nairobi City County Assembly's approved Financial Estimates. No amounts were received in the year under reporting as none had been budgeted for in the period.

3. Post Balance Sheet Events

a. Merger of Car Loan and Mortgage Scheme Funds

The Nairobi City County Assembly Car Loan Scheme Fund was merged with the Nairobi City County Assembly Mortgage Scheme Fund with effect from 1st July 2019. This was done following a resolution by the Salaries and Remuneration Commission to merge the Car Loan and Mortgage benefit for Members of County Assemblies across the country into one consolidated benefit of Ksh.5 Million per member. Under the merged benefit, a member is free to choose the value of car or mortgage they desire to acquire provided they do not exceed the provided limit of Ksh.5 million.

NAIROBI CITY COUNTY ASSEMBLY
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NOTES TO FINANCIAL STATEMENTS

1. Analysis of Debtors.

Category	Amount Ksh.
a. Short Term Debtors	39,309,769
b. Long Term Debtors	73,375,273
Total	112,685,042

2. Loan Interest Paid by Borrowers

Loan interest paid by members represents the interest charged on borrowings as advised by Salaries and Remuneration Commission at 3% per year on reducing balance.

3. Interest Accrued in the Fund

Interest accrued in the Fund represents the amount of interest paid by the Fund bankers, Cooperative Bank Ltd on daily balances held in the Fund Account on behalf of Nairobi County Assembly for the period under reporting

4. Cash and Cash equivalents

Cash and cash equivalents represent cashbook balance.

5. Car Loan Fund amount

During the year under reporting, the County Executive Committee Member for Finance and Economic planning authorised a transfer of Ksh.100,000,000 from Car Loan fund to Mortgage Fund. This transfer reduced the Car Loan Fund amount from Ksh.294M to the reported amount of Ksh.194M.