

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

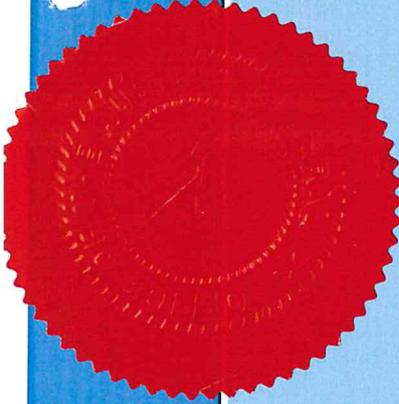
THE AUDITOR-GENERAL

ON

**NAKURU COUNTY EXECUTIVE CAR LOAN
AND MORTGAGE STAFF SCHEME FUND**

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

PAPERS LAID	
DATE	6/4/2022
TABLED BY	Sen. Fatuma Dulle
COMMITTEE	-
CLERK AT THE TABLE	A. Macharia



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30 SEP 2020

**NAKURU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE STAFF
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)**

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
Reports and Financial Statements
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1. NAKURU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE STAFF SCHEME FUND KEY INFORMATION AND MANAGEMENT

a) Background information

Nakuru county executive car loan and mortgage staff scheme Fund is established by and derives its authority and accountability from The Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations,2018 and The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations,2018 Act of 11th May,2018. The Fund is wholly owned by the County Government of Naakuru and is domiciled in Kenya. The fund's objective is to provide a loan scheme

- For purchase of vehicles by members of scheme.
- For purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

The Fund's principal activity is to provide loans to members of the scheme.

b) Principal Activities

The principal activity of the Fund is to provide loans to the scheme members for purchase of vehicles by members of scheme and purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

The mission of the Fund is to ensure its members have a consistent flow of funds to enable them undertake the activities mentioned above.

The mandate of the Fund is to provide its members with loans at affordable interest rate of 3%.

c) Fund Administration Committee

Ref	Name	Position
1	Peter Ketyenya	Chairman
2	Joseph MuchinaGitau	Ex-Offio member/ Secretary
3	Lawrence Mwangangi	Member
4	Caleb Nyamwange	Member
5	Joseph Muchina	Member
6	Dominic Nyabuto	Member
7	Beatrice Obwocha	Member
8	Paul Githinji	Member

d) Key Management

Ref	Name	Position
1	Lee Kinyanjui	Governor
2	Benjamin Njoroge	County Secretary

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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3	Joseph Muchina	CO-Finance
4	Dominic Nyabuto	Director Finance

e) Registered Offices

P.O. Box 2870-20100
New Town Hall Building
Moi Road
Nakuru, KENYA

f) Fund Contacts

Telephone: (254) 777777595/0711133005
E-mail: info@nakuru.go.ke
Website: www.nakurucounty.co.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank Ltd. Head Office,
Family Bank towers
P.O Box 74145-00200
Nairobi, MuindiMbingu Street
Tel: 020 325 2000 Cell: +254 703 095 000
Email: info@familybank.co.ke, www.familybank.co.ke

h) Independent Auditors

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

i) Principal Legal Adviser

The County Attorney
P.O. Box 2870-20100
New Town Hall Building
Moi Road
Nakuru, KENYA

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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2 FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 <p>1. Peter Ketyenya Date of Birth 4/4/1978</p>	<p>Previously Peter Ketyenya worked with Kenya Forest Service as Deputy Director and Head of Finance. He has worked for Kenya Rural Roads Authority as General Manager, Finance. Currently CEO SPC Ltd, a financial consulting company. He is a part time lecturer at Catholic University and he hold a PhD in Finance, MBA and Bcom with 17 years work experience.</p>
 <p>2. Lawrence Mwangangi Date of Birth 14/5/1971</p>	<p>Lawrence Mwangangihas worked with National Government as Deputy County Commissioner in Turkana. He had 21 years experience as a public administrator and he is holder of a BA in Public Administration from Moi University.</p>
 <p>3. Caleb Nyamwange Date of Birth 28/12/1969</p>	<p>Caleb Nyamwange was an Advocate of High Court of Kenya, commission for Oaths and Notary Public..Mr. Nyamwange Caleb Bichang'a has a Bachelor of Social Legislation(BSL) and Bachelor of Law(LLB) graduate from Dr.BabasahebAmbedkarMarathwada University, Aurangabad. He also holds a post graduate Diploma from the School of Law.</p>
 <p>4. Joseph Muchinah Date of Birth 5/10/1979</p>	<p>He has worked with Delamere Group as controller and Soysambu Conservancy ltd. He had 17years' experience and he is holder of MSc in Finance from JKUAT University.</p>
 <p>5. Beatrice Obwocha Date of Birth 16/6/1981</p>	<p>Beatrice Obwocha was the online subeditor for the Nation Media Group in Kenya. She previously worked with Standard Group Limited as a reporter and online subeditor. She has a bachelor's degree in Communication Science from the University of South Africa</p>

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
 Reports and Financial Statements
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 <p>6. Dominic Nyabuto Date of Birth 2/4/1966</p>	<p>Dominic Nyabuto previously worked as County Accountant –(Nakuru) Republic of Kenya National Treasury and Planning. He has 29 years’ experience in public sector finance and Accounting Department National Treasury. He is a holder BcomAccountin option, CPA(K), PFMSM-Petena University of South Africa ,SLDP and SMC Kenya School of Government Kenya and MBA Finance from Kenyatta University.</p>
<p>Paul Githinji</p>	

3 MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Hon Governor Lee Kinyanjui DATE : 1972</p> 	<p>H.E Hon Governor Lee Kinyanjui is a graduate of Kenyatta University and University of Nairobi. He is a holder a Master’s Degree in Business Administration and Masters in International Relations.</p> <p>He worked in the private sector for over 10 years before joining politics and was elected MP for Nakuru Town in 2007.</p> <p>During his tenure as an MP, Mr. Kinyanjui also served as an Assistant Minister for Roads in the grand coalition government between 2008 and 2013 and it is during this time when Nakuru Town was ranked as the fastest growing town in East and Central Africa by UN Habitat.</p> <p>In September 2013, President Uhuru Kenyatta appointed Mr. Kinyanjui as the Chairman National Transport and Safety Authority (NTSA). After a stint of three years at the helm of NTSA, he left to vie for Nakuru governorship and captured the seat in the August 8, 2017 General Election.</p>
<p>2. Benjamin KiragoNjoroge Date of birth :1956</p> 	<p>Mr. Benjamin KiragoNjorogejoined the County Government of Nakuru in the year 2017 in the position of the County Secretary. He holds a Bachelor degree in Administration from the University of Nairobi. He has also attended several advanced Administration courses in and outside the country. Mr. Njoroge worked in the National Government as a public Administrator in various parts of the country and capacities for 33 years.</p>

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
 Reports and Financial Statements
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 <p>3. Joseph Muchinah Date of Birth 5/10/1979</p>	<p>Joseph Muchinah is the Chief Officer, Finance, Nakuru County Government. He has worked with Delamere Group as controller and Soysambu Conservancy ltd. He had 17 years' experience and he is holder of MSc in Finance from JKUAT University.</p>
 <p>4. Dominic Nyabuto Date of Birth 2/4/1966</p>	<p>Dominic Nyabuto is the Director Finance, Nakuru County Government. He previously worked as County Accountant -Nakuru of Republic of Kenya National Treasury and Planning. He has 29 years' experience in public sector and a holder of MBA Finance from Kenyatta University.</p>

4 FUND CHAIRPERSON'S REPORT

I am pleased to present to you my Chairman report the fund was established for the period June 2020.

Overview

The fund accounts for the period to 30th June 2019 showed a deficit of Ksh. **43,803,352.99**.

During the financial period we have had several regulatory issue caused by delay were beyond our control but now we have tried to solve them and the fund is now operational. The consequence of these resulted in higher operational costs due to various meeting held.

During the period under review the fund received Ksh.30, 000,000 and to the normal operation we managed to raise 11,000,000. Therefore our total funding for the period was Ksh 41,000,000.

The fund committee disbursed loans totalling Kshs. 142,536,000 to the members of the scheme since its inception.

The committee continue to view the year ahead with confidence and hope that the fund will continue to grow.

Principle risks and uncertainties. The committee's role is to advance loans to the member of the scheme. However, we had challenges associated with high demand against limited finance this has brought uncertainties on the part of the members.

Signed: _____

Dr Peter K. Ketyenya

Fund Chairperson

Date

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

5 REPORT OF THE FUND ADMINISTRATOR

I wish to present to you my report as the fund administrator of Nakuru County Executive Car loan and Mortgage Staff scheme Fund for the Period 1st June 2019 to 30th June 2020. I will start by highlighting the formation and activities of the fund.

This scheme was established through The Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations, 2018 and The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018 Act. With the objective of advancing loan to members of the staff of the Nakuru County Executive at a negotiated interest rate of the 3%. The fund is administered through Family Bank who are the Bank who are the Bankers and Remittance controller of the fund.

The fund fully become operational in 27th June 2018 in which a total of Kenya shillings 68,000,000, 27th June 2019 Ksh.50,000,000 and later 30,000,000 during this final year from the county consolidated funds held at the Central Bank of Kenya.

In this financial year we were able to advance Ksh 75,770,000.00 to scheme members who were sixteen in number.

The fund is managed by a fund management committee which comprise of the following

No.	Name	Position
1	Lee Kinyanjui	Governor
2	Benjamin Njoroge	County Secretary
3	Joseph Muchina	CO-Finance
4	Dominic Nyabuto	Director Finance

Before any loans are disbursed to the beneficiary the committee ensure that all the requirements have been met by the applicant.

It is the responsibility of the committee to ensure that the fund is well managed and the funds advanced are properly accounted for.

Finally I wish to assure all members that we are committed in ensuring that the fund in managed in a transparent and accountable manner.

Signed: _____

Joseph Muchinah

Fund Administrator

Date

6 CORPORATE GOVERNANCE STATEMENT

The Fund administration committee was appointed by the chairman as follows.

Ref	Name	Position
1	Peter K Ketyenya	Chairman
2	Joseph MuchinaGitau	Ex-Offio member/ Secretary
3	Lawrence Mwangangi	Member
4	Caleb Nyamwange	Member
5	Joseph Muchina	Member
6	Dominic Nyabuto	Member
7	Beatrice Obwocha	Member
8	Paul Githinji	Member

Roles and functions of the Fund administration committee

The Fund administration committee role is to offer guidance in the disbursement of the Fund. They meet regularly when Funds are received to vet applicants and pass resolutions.

The Fund administration committee is remunerated as stipulated in the Act from the proceeds of the interest received as shared out between the county and Family Bank.

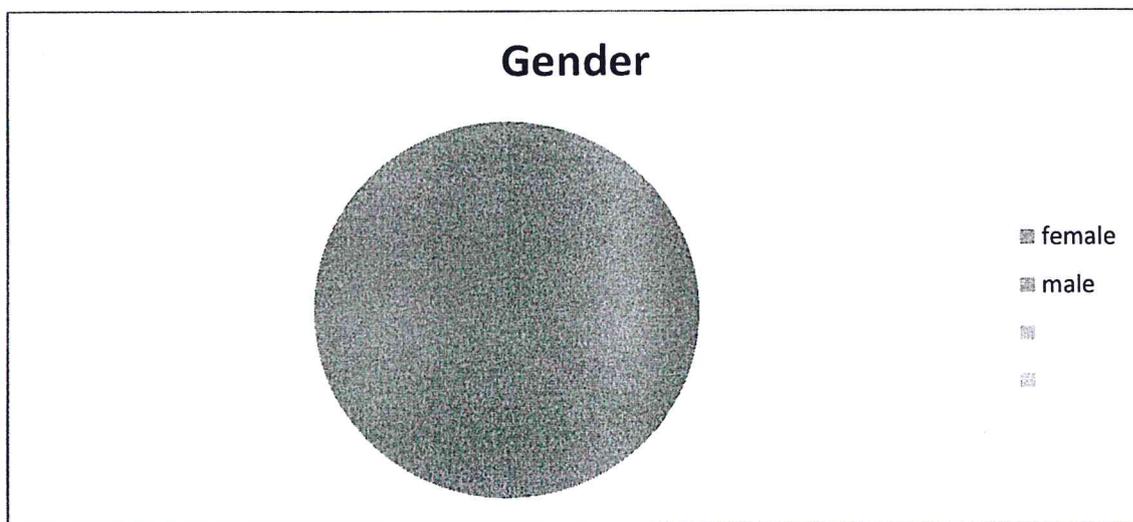
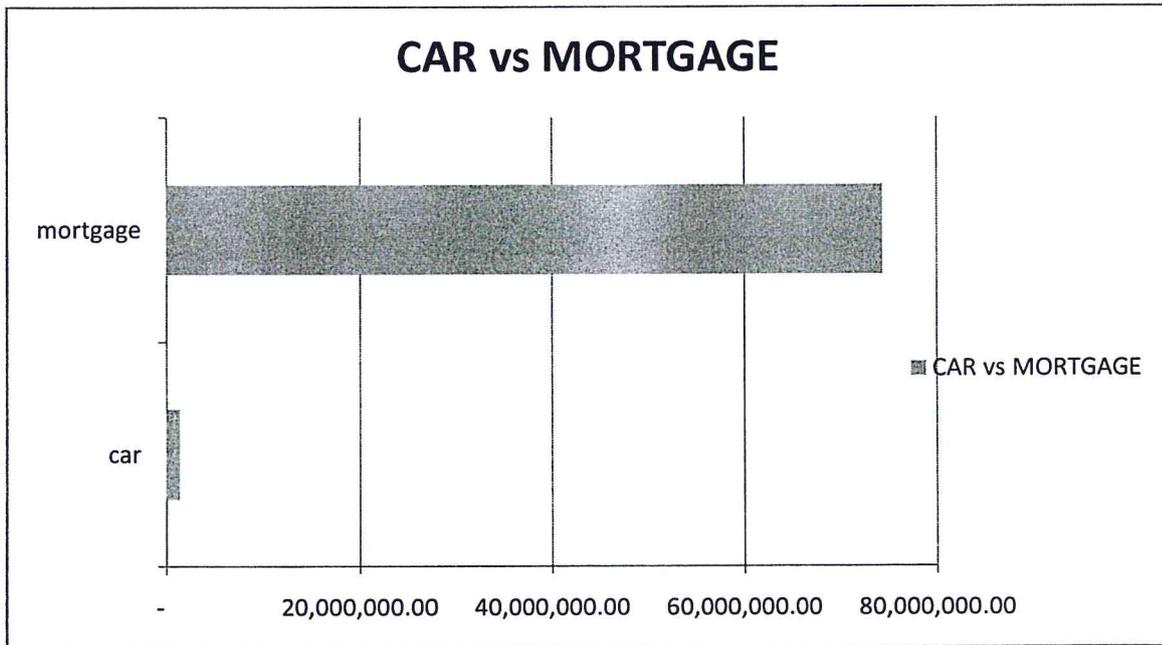
The Fund administration committee is expected to conduct itself in a transparent manner while discharging their roles.

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

7 MANAGEMENT DISCUSSION AND ANALYSIS

The Fund has benefited 16 members with a total of Ksh75,770,000.00 disbursed. Out the 16 members 1 took car loans while 15 took Mortgage loans. Out the 16 members who benefited, 10 of them were women and 6 Men.

Ksh1,370,000 was disbursed to finance purchase of motor vehicles while Ksh74, 400,000 was disbursed to finance mortgages



8 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There are no CSR activities undertaken during the financial year that was done by the fund.

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

9 REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements For the period ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide loans to the scheme members for purchase of vehicles by members of scheme and purchase, development, renovation or repair of residential property by members of the Scheme Capital Funds.

Results

The results of the Fund For the period ended June 30,2020 are set out from pages1-6.

The Fund administrator

The members of the Fund committee who served during the year are shown on page (IV- V). The changes in the Board during the period are as shown below:

Auditors

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

By Order of the Board

Member of the Board

Date: _____

10 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 Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations, 2018 and The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018 Act on 11th may, 2018 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, 2018. 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 Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations, 2018 and The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018 Act on 11th may, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

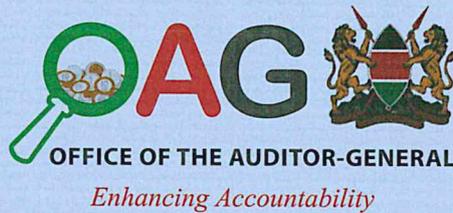
Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2018 and signed on its behalf by:

Administrator of the County Public Fund

REPUBLIC OF KENYA

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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 NAKURU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE STAFF SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund set out on pages 1 to 30 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements of the Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Irregular Merging of Funds

The financial statements provided for audit is a consolidation of two (2) Funds without approval of the County Assembly. The County Assembly passed two separate regulations, thereby creating Car Loan Fund and a Mortgage Fund. However, Management prepared one financial statement combining the two funds without approval from the County Assembly. This fails to enhance completeness and disclosure as per the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements.

As such, the financial statements do not comply with the requirements of International Public Sector Accounting Standards No.1 on presentation and its accuracy and completeness could not be confirmed.

Report of the Auditor-General on Nakuru County Executive Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2020

2.0 Presentation and Disclosure of the Financial Statements

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

- 2.1.** The annual reports omit statement of performance against the Fund's predetermined objectives;
- 2.2.** The Fund Chairman's report at page viii is not signed nor dated and refers to the reporting date of 30 June, 2019 instead of 30 June, 2020. Additionally, the report indicates revenue from operations of Kshs.11,000,000 which is not reflected in the statement of financial performance or statement of cashflows;
- 2.3.** Report of the Fund Administrator at page ix is not signed nor dated and does not highlight the Fund's performance;
- 2.4.** Page x on corporate governance does not include the number of committee meetings held nor attendance by members;
- 2.5.** Report of the fund administration committee at page xiii is not signed nor dated;
- 2.6.** Page xiv on statement of management's responsibilities and page 6 on early adoption of standards refer to the reporting financial year of 30 June, 2018 instead of 30 June, 2020;
- 2.7.** The statement of management responsibilities at page xiv refers to the entity as county public fund instead of Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund and the statement is not signed nor dated;
- 2.8.** Page 1 refers to notes to the financial statements as set out on pages 20–30 instead of pages 6–29;
- 2.9.** The statement of financial position at page 2 is not signed nor dated by both the fund administrator and accountant;
- 2.10.** Page 3 refers to statement of changes in the revolving fund as the title instead of statement of changes in net assets;
- 2.11.** The heading of the entity is not indicated at page 5 and explanations for the variances between actual and budgeted amounts has not been provided;
- 2.12.** Page 7 refers to section xxx of the financial statements instead of section 12.5;
- 2.13.** Details of receivables from exchange transactions are not disclosed under significant accounting policies at pages 14;

- 2.14. Note 22 on pages 28 and 29 to the financial statements omits to disclose Kshs.30,000,000 from the county government under related party transactions;
- 2.15. The statement of financial performance reflects transfers from county government of Kshs.30,000,000 which is not in line with the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements. the transfers from county government should be reported in the statement of financial position and not in the statement of financial performance.
- 2.16. The statement of financial performance reflects loan disbursements of Kshs.75,770,000 which is not in line with the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements. Loan disbursements should be reported in the statement of financial position and not in the statement of financial performance.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 as prepared and presented are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

3.0 Inaccuracies in the Financial Statements

The financial Statements prepared and presented for audit had the following inconsistencies: -

- 3.1 The statement of financial performance reflects a deficit of Kshs.43,803,353 whereas the statement of changes in revolving fund reflects a surplus of Kshs.503,175 for the period resulting to a variance of Kshs.44,306,528 that has not been reconciled.
- 3.2 The statement of cashflows does not reflect proceeds from loan principal repayments nor loan disbursements paid out whereas repayments of Kshs.14,835,016 were received and loan disbursements of Kshs.75,770,000 were made in the year.
- 3.3 The statement of changes in the revolving fund includes interest received less expenses of Kshs.1,966,647 thereby overstating the Fund's net assets by the same amount since this amount is already included in the profit and loss for the year.
- 3.4 The statement of cashflows reflects Kshs.60,934,984 as cashflows from investing activities whose breakdown or explanation has not been provided in the financial statements.

Consequently, the accuracy and completeness of the above balances included in these financial statements presented for audit for the year ended 30 June, 2020 could not be confirmed.

4.0 Interest Income

The statement of financial performance reflects interest income of Kshs.2,950,928 as disclosed under Note 4 to the financial statements. However, the amount is unsupported by way of detailed interest schedules, and individual account statements indicating the interest accrued. This is contrary to section 99(3) of the public finance management County Government Regulations, 2015, that requires every entry in the accounts to be supported.

Consequently, the accuracy and completeness of the reported interest income of Kshs.2,950,928 for the year ended 30 June, 2020 could not be confirmed.

5.0 Fund Expenses

The statement of financial performance reflects fund administration expenses of Kshs.836,281 and general expenses of Kshs.148,000 which have not been recorded in the cashbook nor supported by payment vouchers.

Consequently, the accuracy and completeness of fund expenses totalling Kshs.984,281 for the year ended 30 June, 2020 could not be confirmed.

6.0 Cash and Cash Equivalent Balance

6.1 Overdrawn Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.27,240,465 as disclosed under Note 11 to the financial statements. However, the Fund's remittance account number 019000044951 was overdrawn by Kshs.13,150 without any set limit. This is in breach of Section 119(4) of the Public Finance Management Act, 2012. Further, the overdrawn amount has been offset against balances of other bank accounts contrary to paragraph 49 of IPSAS 1 which requires separate reporting of assets and liabilities.

Consequently, the accuracy and completeness of the cash and cash equivalents of Kshs.27,240,465 for the year ended 30 June, 2020 could not be confirmed.

6.2 Remittance Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.27,240,465 as disclosed under Note 11 to the financial statements. The bank reconciliation statement as at 30 June, 2020 for the Fund's remittance account Number 019000044951 reflects payments in cash book not in bank statement totaling Kshs.5,017,222. This amount has however not been supported by a schedule of unrepresented cheques or bank payment instructions and includes Kshs.1,475,972 not recorded in the cashbook. Further, the bank's reconciliation statement as at

30 June, 2020 reflects loan repayments in bank statement not yet recorded in cash book amounting to Kshs.276,798 and fund administration expenses in bank statement not recorded in cashbook of Kshs.159,977. Details provided for audit indicated that the transactions occurred between 17 December, 2018 and 11 June, 2020. No satisfactory explanation has been provided for failure by management to record the transactions in the Fund's cashbook as at 30 June, 2020 as appropriate.

Consequently, the accuracy and completeness of the cash and cash equivalents of Kshs.27,240,465 for the year ended 30 June, 2020 could not be confirmed.

6.3 Misstated Bank Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.27,240,465 as disclosed under Note 11 to the financial statements. However, the bank reconciliation statement presented in support of three bank accounts reflect loan repayments of Kshs.6,633,079 as receipts in cash book not yet recorded in bank statement whose details had not been recorded in the cashbook as at 30 June, 2020. No explanation has been provided for failure by management to record the receipts in the cashbook.

Consequently, the accuracy, validity and fair statement of the reported cash and cash equivalent balance of Kshs.27,240,465 as at 30 June, 2020 could not be confirmed.

7.0 Current Portion of Long-Term Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.629,370 as disclosed under Note 12 to the financial statements. However, the balance is unsupported by way of aging analysis showing amount receivable as repayments in form of principal and interest in the next twelve (12) months.

Consequently, the accuracy and fair statement of the current portion of long-term receivables from exchange transactions balance of Kshs.629,370 as at 30 June, 2020 could not be confirmed.

8.0 Long-term Receivables from Exchange Transactions

The statement of financial position reflects long-term receivables from exchange transactions of Kshs.122,599,987 and as disclosed under Note 12 to the financial statements. However, the balance is not supported by a detailed schedule of principal amount, interest, repayments and the outstanding balance.

Included in the balance of principal loan amount of Kshs.122,599,987 is Kshs.8,870,000 issued to three (3) staff members who continue to default in monthly repayments. The loan management committee has not repossessed their property as required by Regulation 18 of the County Government of Nakuru Mortgage Scheme Fund Regulations 2018 or taken any measures to recover the debts. Further, no provision has been made in respect of the non-performing loans or disclosures made in these financial statements.

Consequently, the accuracy and fair statement of the long-term receivables of Kshs.122,599,987 as at 30 June, 2020 could not be confirmed.

9.0 Accumulated Surplus

The statement of financial position reflects accumulated surplus balance of Kshs.150,469,822 as at 30 June, 2020. However, the previous year closing balance of Kshs.118,503,175 less actual deficit for the year of Kshs.43,803,353 reflected in statement of financial performance results to an accumulated surplus of Kshs.74,699,822. The resultant variance of Kshs.75,770,000 has not been explained. Consequently, the accuracy and completeness of accumulated surplus balance of Kshs.150,469,822 as at 30 June, 2020 could not be confirmed.

10.0 Revolving Fund Balance

The statement of financial position as at 30 June, 2020 reflects nil balance for the revolving fund against Kshs.148,000,000 reported in the statement of changes in net assets as cumulative transfers from the county government. The amount is made of Kshs.30 million transfer during the year and Kshs114 million for the previous year.

Consequently, the accuracy and completeness of the Nil revolving fund balance as at 30 June, 2020 could not be confirmed.

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

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1 Operationalization of Bank Accounts

The management has not provided authority to open and operate the four (4) commercial bank accounts maintained for the Fund. This is contrary to Section 119(1) of the Public Finance Management Act, 2012 which mandates the County Treasury to

Report of the Auditor-General on Nakuru County Executive Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2020

authorize the opening, operating and closing of bank accounts for the county government and its entities, except as otherwise provided by other legislation.

In the circumstance, the management is in breach of the law.

2 Loan Disbursements

During the year, loans totaling Kshs.75,770,000 were disbursed to sixteen (16) members of staff. However, disbursements were not supported by way of loan applications, committee approval minutes, approved designs of house plans, bills of quantities, official search of titles to the property or certified copies of sale agreements in respect of each borrower. This is contrary to Section 11(1) of the Nakuru county government mortgage (staff scheme fund) Regulations, 2018 which require each loan application to be supported by the mandatory documents.

In the circumstance, the Management is in breach of law.

3 Mortgage Protection Policy

The Fund has not maintained mortgage protection policy and fire policy against the advanced mortgages and car loans. This is contrary to Regulation 17(1) of the Public Finance Management Act (Nakuru County Governments) Mortgage Scheme Fund 2018. This implies that the Fund may not be able to recover the outstanding loan balances in case of any unforeseen occurrence or default in repayment.

In the circumstance, the Management is in breach of law.

4 Remittance of Fringe Benefit Tax

There is no evidence that the management had remitted fringe benefit tax to Kenya Revenue Authority since the establishment of Nakuru County Executive (Staff) mortgage and car loans scheme). This is in breach of Section 12B of the Income Tax Act thereby exposing the Fund to nugatory expenditure in form of penalties and interest.

In the circumstance, the Management is in breach of law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 going concern basis of accounting unless Management is aware of the intention to terminate the Fund or 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 financial reporting process, reviewing the effectiveness of how the Fund 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

My responsibility is to conduct an audit of the Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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.

However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 March, 2022

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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12 FINANCIAL STATEMENTS

**12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
JUNE 2020**

	Note	FY 2019/2020	FY 2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	30,000,000.00	118,000,000.00
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	2,950,927.90	743,704.13
Other income	5	-	-
Total revenue		32,950,927.90	118,743,704.13
Expenses			
Fund administration expenses	9	836,280.89	240,528.86
General expenses	8	148,000.00	-
Loan disbursed		75,770,000.00	66,766,000.00
Total expenses		76,754,280.89	67,006,528.86
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		(43,803,352.99)	51,737,175.27

The notes set out on pages 20 to 30 form an integral part of these Financial Statements

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12.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	27,240,465.25	56,738,007.74
Current portion of long term receivables from exchange transactions	12	629,370.24	100,165.00
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	122,599,986.79	61,665,002.53
Total assets		150,469,822.28	118,503,175.27
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		150,469,822.28	118,503,175.27
Total net assets and liabilities		150,469,822.28	118,503,175.27

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12.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY 2019/2020	FY 2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government	2	30,000,000.00	118,000,000.00
Interest received (less accrual)	4	2,421,722.66	643,539.13
Receipts from other operating activities		-	-
Total Receipts		32,421,722.66	118,643,539.13
Payments			
Fund administration expenses	6	-	-
General expenses	8	148,000.00	-
Finance cost	9	836,280.89	240,528.86
Total Payments		984,280.89	240,528.86
Net cash flows from operating activities	21	31,437,441.77	118,403,010.27
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities	12	60,934,984.26	61,665,002.53
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		- 29,497,542.49	56,738,007.74
Cash and cash equivalents at 1 JULY	11	56,738,007.74	-
Cash and cash equivalents at 30 JUNE	11	27,240,465.25	56,738,007.74

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12.3 STATEMENT OF CHANGES IN THE RELVOLVING FUNDAS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	503,175.27	503,175.27
Funds received during the year	-	-	118,000,000.00	118,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	-	-	118,503,175.27	118,503,175.27
Balance as at 1 July 2019	-	-	118,503,175.27	118,503,175.27
Interest received less expenses	-	-	1,966,647.01	1,966,647.01
Funds received during the year	-	-	30,000,000.00	30,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	150,469,822.28	150,469,822.28

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

	Original Budget		Adjustments		Final Budget		Actual for completed period		Performance indicator	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	KShs		KShs		KShs		KShs		KShs	
Revenue										
B/F Amount	56,738,007.74				56,738,007.74		56,738,007.74		56,738,007.74	1%
Public contributions and donations										#DIV/0!
Transfers from County Govt.	30,000,000.00				30,000,000.00		30,000,000.00			0%
Interest income	3,000,000.00				3,000,000.00		2,950,927.90		49,072.10	0%
Other income										#DIV/0!
Total income	89,738,007.74				89,738,007.74		32,950,927.90		56,787,079.84	1%
Expenses										
Finance cost	1,000,000.00				1,000,000.00		836,280.89		163,719.11	0%
General cost	148,000.00				148,000.00		148,000.00			0%
Loan disbursed	75,770,000.00				75,770,000.00		75,770,000.00			0%

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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12.6 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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 applied 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 July 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.

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 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 xxx of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 labor 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.

SUMMARY OF 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 creates and maintains reserves in terms of specific requirements.

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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the CEO and senior managers.

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 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 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 Public Finance And Management (County Government of Nakuru Car Loan Staff scheme fund) regulations, 2018 and The Public Finance And Management (County Government of Nakuru Mortgage Staff scheme fund) regulations, 2018 Act under the Ministry of Finance. Its ultimate parent is the County Government of Nakuru.

20. Currency

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

SUMMARY OF 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.

State all judgements, estimates and assumptions made: e.g

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.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				
At 30 June 2020				
Receivables from exchange transactions				
Receivables from non exchange transactions				
Bank balances				
Total				

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from the loan.

The fund administration committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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SUMMARY OF 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.

i. 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.

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:

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2020			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 exchange rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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- (2017: KShs 214,513.04). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2017 – KShs 1,072,565.2)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2020		2019
	KShs		KShs
Revaluation reserve	-		-
Revolving fund	-		-
Accumulated surplus	-		-
Total funds	-		-
Total borrowings	-		-
Less: cash and bank balances	-		-
Net debt/(excess cash and cash equivalents)	-		-
Gearing	-%		-%

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12.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2019/2020	FY2018/2019
	KSh	KSh
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KSh	KSh
Transfers from County Govt. – operations	30,000,000	118,000,000
Payments by County on behalf of the entity	-	-
Total	30,000,000	118,000,000

3. Fines, penalties and other levies

Description	FY2019/2020	FY2018/2019
	KSh	KSh
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2019/2020	FY2018/2019
	KSh	KSh
Interest realised from car and mortgage paid to bank	807,240.89	214,513.04
Interest realised from car and mortgage paid to county	1,614,481.77	429,026.09
interest accrued	529,205.24	100,165.00
Total interest income	2,950,927.90	743,704.13

5. Other income

Description	FY2019/2020	FY2018/2019
	KSh	KSh
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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6. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Total	-	-

7. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

	2020	2019
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Committee Allowance	148,000.00	-
Total	148,000.00	-

**Nakuru County Executive Car Loan and Mortgage Staff Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance cost

Description	FY2019/2020 KShs	FY2018/2019 KShs
Interest on Bank overdrafts	-	-
Bank charges	29,040.00	26,015.82
Interest on loans from banks	807,240.89	214,513.04
Total	836,280.89	240,528.86

10. Gain on disposal of assets

Description	FY2019/2020 KShs	FY2018/2019 KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2019/2020 KShs	FY2018/2019 KShs
Main a/c	16,448,524.30	51,225,844.30
Remittance a/c	- 13,150.00	- 5,950.00
Principal a/c	8,922,738.15	5,095,042.41
Interest a/c	1,882,352.80	423,071.03
Total cash and cash equivalents	27,240,465.25	56,738,007.74

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY 2019/2020	FY 2018/2019
		KSh	KSh
a) Fixed deposits account			
Kenya Commercial bank		-	
Equity Bank, etc		-	
Sub- total		-	
b) On - call deposits			
Kenya Commercial bank		-	
Equity Bank – etc		-	
Sub- total		-	
c) Current account			
Family Bank Ltd	019000044308	16,448,524.30	51,225,844.30
Family Bank Ltd	019000044951	- 13,150.00	-5950.00
Family Bank Ltd	019000044950	8,922,738.15	5,095,042.41
Family Bank Ltd	019000044952	1,882,352.80	423,071.03
Sub- total		27,240,465.25	56,738,007.74
d) Others(specify)			
Cash in transit		-	
Cash in hand		-	
M Pesa		-	
Sub- total		-	
Grand total		27,240,465.25	56,738,007.74

12. Receivables from exchange transactions

Description	FY 2019/2020	FY 2018/2019
	KSh	KSh
Current Receivables		
Interest receivable	629,370.24	100,165.00
Current loan repayments due	-	-
Otherexchangedebtors	-	-
Less:impairmentallowance	-	-
Total Current receivables	629,370.24	100,165.00
Non Current receivables		
Long term loan repayments due	122,599,986.79	61,665,002.53
Total Non current receivables	122,599,986.79	61,665,002.53
Total receivables from exchange transactions	629,370.24	100,165.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY 2019/2020	FY 2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Total	-	-

14. Inventories

Description	FY 2019/2020	FY 2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

Cost	Land and Buildings		Motor vehicles		Furniture and fittings		Computers and office equipment		Total
	KShs	KShs	KShs	KShs	KShs	KShs	KShs		
At 1 st July 2017	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-
At 1 st July 2018	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-
Depreciation and impairment	-	-	-	-	-	-	-	-	-
At 1 st July 2017	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-
At 1 st July 2018	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-
Net book values	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-
At 30 th June 2018	-	-	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	FY 2019/2020	FY/2018/2019
	KShs	KShs
Tradepayables		
Refundable deposits	-	-
Accrued expenses	-	-
Otherpayables	-	-
Totaltradeandotherpayables		

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Total provisions	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY 2019/2020 KShs	FY 2018/2019 KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	FY 2019/2020 KShs	FY 2018/2019 KShs
External Borrowings	-	-
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyyorganisation'	-	-
Euro denominated loan from zzzorganisation'	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY 2019/2020 KShs	FY 2018/2019 KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Totalemployee benefits obligation	-	-	-	-

21. Cash generated from operations

	FY 2019/2020	FY 2018/2019
	KShs	KShs
Surplus for the year before tax	56,738,007.74	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	2,421,722.66	743,704.13
General cost	- 148,000.00	-
Finance cost	- 836,280.89	- 240,528.86
Working Capital adjustments		
Increase in inventory	30,000,000.00	118,000,000.00
Increase in receivables		-
Increase in payables	- 60,934,984.26	- 61,765,167.53
Net cash flow from operating activities	27,240,465.25	56,738,007.74

22. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund administration committee; etc

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2019/2020		FY2018/2019
	KShs		KShs
Transfers from related parties'	-		-
Transfers to related parties	-		-

c) Key management remuneration

	FY2019/2020		FY2018/2019
	KShs		KShs
Fund administration committee	-		-
Key Management Compensation	-		-
Total	-		-

d) Due from related parties

	FY2019/2020		FY2018/2019
	KShs		KShs
Due from parent Ministry	-		-
Due from County Government	-		-
Total	-		-

e) Due to related parties

	FY2019/2020		FY2018/2019
	KShs		KShs
Due to parent Ministry	-		-
Due to County Government	-		-
Due to Key management personnel	-		-
Total	-		-

23. Contingent assets and contingent liabilities

Contingent liabilities	FY2019/2020		FY2018/2019
	KShs		KShs
Court case xxx against the Fund	-		-
Bank guarantees	-		-
Total	-		-

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13 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/Observation from Auditor	Management comments to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Provide when you expect the issue to be resolved)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.