

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NYANDARUA COUNTY ASSEMBLY  
STAFF CAR LOAN AND MORTGAGE  
SCHEME FUND**

**FOR THE YEAR  
ENDED 30 JUNE, 2022**





REPUBLIC OF KENYA



**REPUBLIC OF KENYA**  
**NYANDARUA COUNTY ASSEMBLY**  
**OFFICE OF THE CLERK**

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**NYANDARUA COUNTY ASSEMBLY**  
**STAFF CAR LOAN AND MORTGAGE FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
  
**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2022**

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



**Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund  
Annual Reports and Financial Statements  
For the year ended 30<sup>th</sup> June 2022**

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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Nyandarua County Assembly staff car loan and mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Nyandarua County Assembly Staff Car loan and Mortgage Fund adopted the PFM regulations of 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Assembly Service Board appointed a banking institution to manage the fund.

Nyandarua County Assembly Staff Car loan and Mortgage Fund was incorporated/ established under the PFM Act on 30<sup>th</sup> April 2016 and it's regulated by Nyandarua County Assembly Car loan and Mortgage regulations and Salaries and Remuneration Commission circulars. The Fund is wholly owned by the County Assembly of Nyandarua and is domiciled in Kenya.

The fund has been internally administered in the County Assembly under the leadership of the clerk who doubles as the fund administrator.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17<sup>th</sup> December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the County Assembly Service Board approved and adopted the Staff Loans Policy Paper on 17<sup>th</sup> March 2015

The fund is wholly owned by the County Assembly of Nyandarua and is domiciled in Kenya.

### b) Principal Activities

The principal activities of Nyandarua County Assembly Staff Car loan and Mortgage Fund is to grant car loans and Mortgages to the civil servants employed by the County Assembly of Nyandarua at a rate prescribed by the Salaries and Remuneration commission.

### Vision

“The fund of choice for staff.”

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**Mission**

“To provide affordable, accessible and sustainable mortgage and car loans to staff.”

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

**c) Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	Hon James Wahome Ndegwa	Chairman
2	Fr. David Kamiru Munyeki	Vice Chairman
3	Charles Wahinya Wambui	Member
4	John Kabue Kahinga	Member
5	Moses Kinyua Mbuthia	Member
6	Gideon Mukiri Muchiri	Fund Administrator

**d) Technical Committee**

Ref	Name	Position
1	Gideon Mukiri Muchiri	County Assembly Clerk
2	Charles Wahinya Wambui	Director Finance and Accounting
3	Dominic Chege Wacera	Senior Accountant
4	Leah Njoki Wanjiku	Senior Human Resource Officer
5	George Kamunya Wang'ombe	Senior Clerk Assistant

**e) Key Management**

Ref	Position	Name
1	Fund Manager/ Administrator	Gideon Mukiri Muchiri
2	Fund Accountant	Dominic Chege Wacera

**f) Registered Offices**



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P.O. Box 720-20303

Assembly Chambers Building

Olkalou- Nairobi Highway

Olkalou, Kenya

**g) Fund Contacts**

Telephone: (254) 743-079333

E-mail: [clerk@assembly.nyandarua.go.ke](mailto:clerk@assembly.nyandarua.go.ke)

Website: [www.nyandaruaassembly.go.ke](http://www.nyandaruaassembly.go.ke)

**h) Fund Bankers**

Equity Bank Limited

Olkalou Branch

P.O. Box 215-20303

Olkalou-Kenya

**i) Independent Auditors**

The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The County Attorney

County Government of Nyandarua

P.O. Box 721-20303

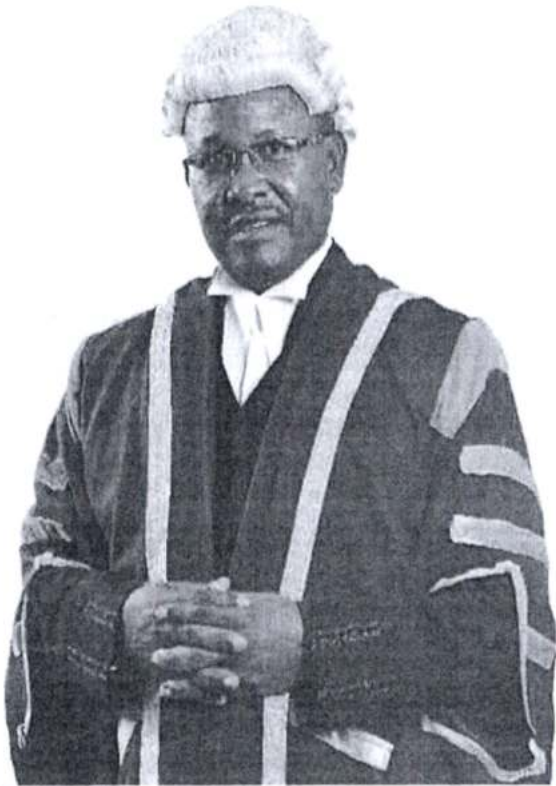
Olkalou, Kenya

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**2. THE BOARD OF TRUSTEES**

The board of trustees during the financial year consisted of:

	<p><b>Hon James Wahome Ndegwa – Chair – Board of Trustees</b></p> <p>Hon Ndegwa Wahome is the Speaker of Nyandarua County Assembly and the founding speaker since devolution started in Kenya;</p> <p>He has been an Advocate of the high court of Kenya for the past 27 years.; Hon speaker is a member of the Law Society of Kenya LSK and also has more than 10 years’ experience in public service</p> <p>He holds a Bachelor’s of law LLB from the University of Nairobi and a post graduate Diploma in law from Kenya school of law KSL.</p> <p>Hon speaker Wahome is the current Chairman County Assembly Forum (CAF) and was recently elected Deputy President of the East Africa Local Council Government and Authorities.</p>
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**Gideon Mukiri Muchiri – Ag. Clerk**

Mr. Mukiri is the Director of ICT and Corporate Communications and the Acting Clerk.

He is a computer programmer, system analyst and software engineer.

Mr Mukiri holds a Master's degree MBA in business administration (strategic management option) and Bachelor of Science degree in information Systems from Laikipia University.

He is also a member of Computer Society of Kenya CSK and an associate member of Kenya institute of management KIM



**Charles Wahinya Wambui-Member**

He is Currently the Director Finance Accounting, Budget and Economic Planning

He has a vast experience in Public Finance for 25years,

Mr Wahinya holds a Bachelor of Commerce degree accounting option

He is also a certified public accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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**Fr. David Kamiru Munyeki-Member**

He is a member of Nyandarua County Assembly Service Board(CASB)

Father David Munyeki is a priest of the Roman Catholic Church based in the Diocese of Nyahururu

He has 15 years' experience in church management

Father Munyeki holds a Master degree in Canon law from the Pontifical university of Venice

Bachelor degree in sacred theology from Urbana University Rome

He also has a Diploma in philosophy.



**Mr. Moses Kinyua Mbuthia-Member**

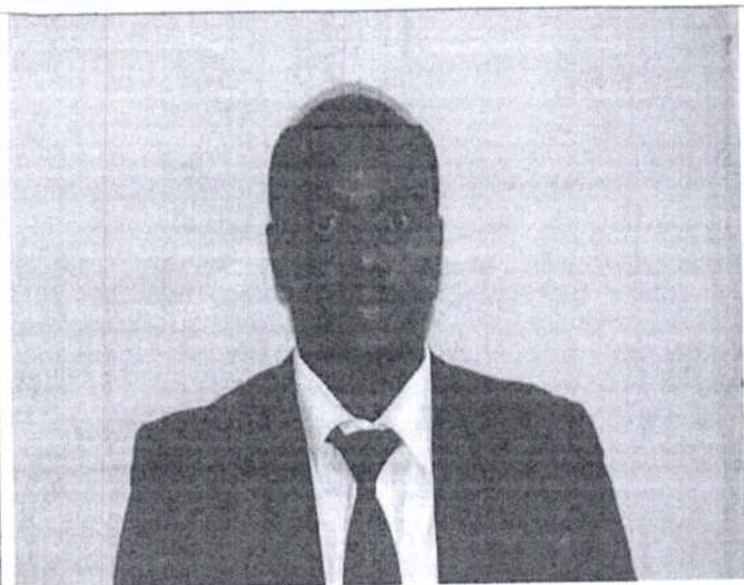
Mr Kinyua is a Senior legal Counsel at Nyandarua County Assembly.

He is an advocate of the high court of Kenya and also a member of the Law Society of Kenya LSK

He holds a Bachelor of law Degree (LLB )from Moi University and a post graduate diploma of law from Kenya School of Law (KSL)



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**Mr. John Kabue Kahinga-Member**

Mr Kahinga is a Senior Legal Counsel at Nyandarua County Assembly. He is an advocate of high court of Kenya and a member of the Law Society of Kenya LSK. He holds a Bachelor of law degree (LLB) from the University of Nairobi and also a diploma of law from the Kenya school of law KSL. He is also a Certified Public Accountant CPA.



### 3. MANAGEMENT TEAM

The management during the financial year consisted of:



**Gideon Mukiri Muchiri – Fund Administrator.**

Mr. Mukiri is the Director of ICT and Corporate Communications and the Acting Clerk.

He is a computer programmer, system analyst and software engineer.

Mr Mukiri holds a Master's degree MBA in business administration (strategic management option) and Bachelor of Science degree in information Systems from Laikipia University.

He is also a member of Computer Society of Kenya CSK and an associate member of Kenya institute of management KIM



**Dominic Chege Wacera– Fund Accountant**

Mr. Dominic was appointed as the Fund Accountant on 5th October 2016.

He is a Senior Accountant at Nyandarua County Assembly where he has served since 2014.

He holds a Bachelor of Arts (Economics) from the University of Nairobi and a Master of Science in Finance (MSC Finance) from the University of Nairobi.

He is also a Certified Public Accountant CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK)

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**4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

It is my pleasure to present, on behalf of the board of trustees, Nyandarua County Assembly Staff Car loan and Mortgage fund's financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements present the financial performance of the fund over the past year.

The Nyandarua County Assembly Staff Car Loan & Mortgage Fund was established through approval of the County Assembly, under Regulations 2015 and accordance with Public Finance Management Act, 2012.

**Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

**Review of performance**

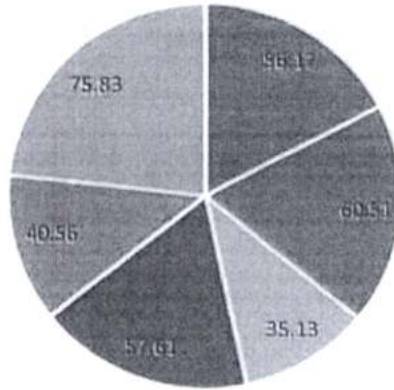
The Nyandarua County Assembly Staff Car Loan and Mortgage Fund initial capital consisted of the monies appropriated by the County Assembly in the FY 2015/16 amounting to Kshs 20 Million to operate as a revolving fund with annual increase from the Assembly's budget based on anticipated credit needs projections, funds available as well as repayments from the beneficiaries. In the FY 2016/2017, the fund grew with a further Ksh 33,413,763 Ksh 47,301,000 in the FY 2017/2018 a further Ksh 20,000,000 in the FY 2018/2019 a further Ksh 35,195,995 in the FY 2019/2020 a further 39,000,000 in the FY 2020/2021 and a further Ksh 40,000,000 in the FY 2021/2022 yielding a revolving fund value of Ksh 234,910,758 as at 30<sup>th</sup> June 2022.

In the year under review, Nyandarua County Assembly Staff Car Loan and Mortgage Fund reported a 29.60% decrease in Loan portfolio from Kshs 40.46 Million in the FY 2020/2021 to Kshs 75.83 Million in the FY 2021/2022.



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**LOANS DISBURSED**



■ 2016/2017 ■ 2017/2018 ■ 2018/2019 ■ 2019/2020 ■ 2020/2021 ■ 2021/2022

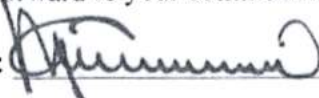
**Future outlook**

The outlook of the Fund for 2022/2023 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and the National treasury to the realization of its mandate.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the National Treasury, County Assembly, stakeholders, management, staff and fellow trustees for their continued support which made us achieve these results.

I look forward to your continued support in the year 2022/2023.

Signed: 

**Gideon Mukiri Muchiri**  
**Fund Administrator**  
**Nyandarua County Assembly Staff Car Loan and Mortgage Fund**



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**5. REPORT OF THE FUND ADMINISTRATOR**

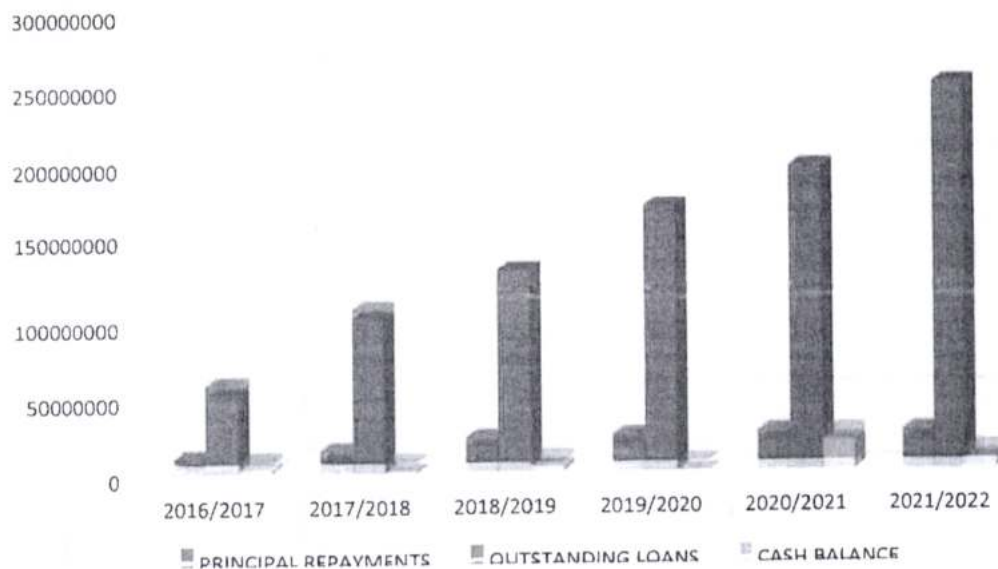
It is my pleasure to present the Nyandarua County Assembly Staff Car Loan and Mortgage fund's financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements present the financial performance of the fund over the past year.

**Financial Performance**

In the FY 2021/2022, Kshs 40,000,000 was received as an appropriation from the annual budget of Nyandarua County Assembly. The additional funding grew the revolving Fund from Kshs 194,910,758 in the FY 2020/2021 to Ksh 234,910,758 in the FY 2021/2022. In the Financial year, the Management disbursed new loans valued at Kshs 78.53 Million as compared to Ksh 40.56 Million in the previous year representing a 48.35 % growth and consequently increasing the number of beneficiaries from eighty one to ninety.

Principal loan repayment from beneficiaries amounted to Kshs 20.095 million, a fall from Kshs 20.43 million received in the FY 2020/2021. At the close of the year, the Fund had outstanding loans valued at Kshs 250.97 million and Kshs 7,583,584 cash balance.

**CAR LOAN AND MORTGAGE FUND ANALYSIS**



FY 2021/2022 was a good year in general despite the political wrangles. Good progress was made and the momentum has been created to enable the fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years. Finally, we are confident

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that the Fund will sustain the impressive performance to the future which is prerequisite in meeting its goals and objectives of providing affordable loan products to the staff

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Nyandarua County Assembly Staff Car Loan and Mortgage fund achieves its mission.

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



**Gideon Mukiri Muchiri**

**Fund Administrator.**

## 6. CORPORATE GOVERNANCE STATEMENT

### THE BOARD

Nyandarua County Assembly Staff Car loan and Mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014 and Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide mortgage and car loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by Public Finance Management regulations as well as Salaries and remuneration Commission. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### THE BOARD OF TRUSTEES

The trust deed of 2014 provides that the board of trustees shall be made up of five trustees, including the chairman, and shall consist of a chairperson and five other members identified for appointment through a competitive process. The board of trustees is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The board of trustees exercise leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for adequate services.

All members of the board of trustees have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the board, its committees, individual trustees and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.



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**BOARD MEETINGS**

The board of trustees meets monthly or as needs arises in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly and consider loan applications. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held several full board meetings during the FY 2021/2022.

**AUDIT AND RISK COMMITTEE**

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of trustees has established an audit and risk committee. The committee was established to advise the board of trustees on institutional risk management and compliance. The committee held eight meetings and prepared several reports during the year. The committee also met the Fund's external auditors from the Office of the Auditor General to deliberate on risk management issues. The members of this committee during the year under review were:

S/No.	Name	Position in committee	Period Served
1	Joachim Githinji	Chairperson	1 <sup>st</sup> April 2020 to date
2	Mrs. Beth Wang'ombe	Vice Chairperson	2016-to date
3	Ms. DamarisWanjiku	Member	1 <sup>st</sup> April 2020 to date
4	Mr. Charles Wahinya	Member	2016-to date
5	Mr. Charles Kimani	Secretary	2016-to date

**STATEMENT OF COMPLIANCE**

The board of trustees confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance. External legal audit was conducted which confirmed that the institution had complied with all relevant laws, regulations and requirements.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **Internal Control**

The trustees are responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Standing Instructions**

The fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

### **Strategic Plan**

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

### **Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.



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The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2020/2021.

**Risk Management**

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

**Management Team**

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**Auditor**

The fund is audited by the officers from the Office of the Auditor-General.



## **7. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund earned revenues amounting to KShs. 5,367,010 from interest earned on loans disbursed.

#### **Cash flow**

The cash and cash equivalents increased from KShs 739,159 as at 30<sup>th</sup> June 2020 to KShs 20,006,207 as at 30<sup>th</sup> June 2021. There was significant cash inflow from collections from staff, disbursements from the County Revenue Fund.

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity has been the offering mortgage and car loans to members of staff. The County Assembly has supported the fund and increased collections from members of staff has also added to the fund's better performance.

#### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

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Through concerted team efforts by management and members of staff, the fund attained an overall performance contractual rating of “Very Good” as at the end of the financial year. In the same period, staff satisfaction index which measures staff perceptions improved from 76% in the previous year to 78% in the year 2021/2022.

**Conclusion**

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the financial year 2021/2022, the fund was engaged in several Corporate Social Responsibility activities. These included collaborating with the Red cross and the County Assembly in helping with the clean-up of Olkalou town estates, and was also involved in fight against Covid 19 pandemic.

We are looking forward to getting involved more in these and other areas, and the management team has been tasked with coming up with more CSR ideas.



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**9. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2022 which show the state of the Fund affairs.

**Principal activities**

The principal activity of the Fund is to provide financing to the members of staff to purchase cars for personal use and build or renovate residential houses.

**Results**

The results of the Fund for the year ended 30<sup>th</sup> June 2022 are set out on pages 11 to 28.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 4. There were no changes in the Board during the FY 2021/2022.

**Auditors**

The Office of 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

Signed: 

Date: 30/9/2022

**James Wahome Ndegwa**

**Chairperson of the Board**

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**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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

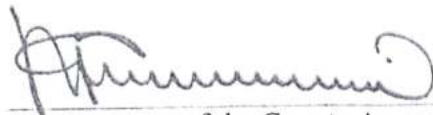
The Clerk of the County assembly who is the administrator of the Nyandarua Staff Car Loan and Mortgage Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. 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 Nyandarua Staff Car Loan and Mortgage 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. The Administrator 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, 2022, 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 Nyandarua Staff Car Loan and Mortgage 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 30/9/ 2022 and signed on its behalf by:



Administrator of the County Assembly Staff Car Loan and Mortgage Fund



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON NYANDARUA COUNTY ASSEMBLY STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.



## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

I have audited the accompanying financial statements of Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund set out on pages 25 to 46, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (County Assembly Staff Car Loan and Mortgage Scheme Fund) Regulations, 2021.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, the Management has not resolved some of the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.11 (66) dated 6 July, 2022.



In the circumstances, the matters are considered unresolved.

## 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 Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 Conclusion**

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

### **Responsibilities of Management and the Board of Trustees**

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 controls 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 controls, 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 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.

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that



might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 Gatungu, CBS  
AUDITOR-GENERAL

Nairobi

06 January, 2023



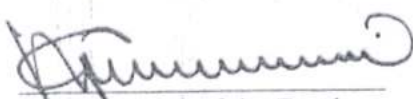
Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund  
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For the year ended 30<sup>th</sup> June 2022

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>  
JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Revenue from exchange transactions</b>			
Interest income	1	6,490,835	5,354,239
Other income		-	-
<b>Total revenue</b>		<b>6,490,835</b>	<b>5,354,239</b>
<b>Expenses</b>			
Fund administration expenses	2	2,368,200	2,091,900
Staff Costs		-	-
General expenses – Bursary awards		-	-
Finance costs/bank Charges	3	13,690	8,460
<b>Total expenses</b>		<b>2,381,890</b>	<b>2,100,360</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/(deficit) for the period</b>		<b>4,108,945</b>	<b>3,253,879</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/2022 and signed by:



Administrator of the Fund  
Gideon Mukiri Muchiri



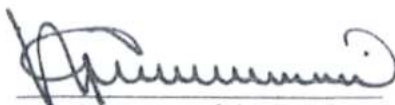
Fund Accountant  
Dominic Chege Wacera  
ICPAK Member Number: 15593

Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund  
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For the year ended 30<sup>th</sup> June 2022

12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	7,583,584	20,006,207
Accrued Repayments	5	96,863	2,957,763
Overpaid loans	6	769,138	702,801
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions	7	251,503,399	197,068,191
<b>Total assets</b>		<b>259,952,984</b>	<b>220,734,962</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade Payables-Accrued Insurance	8	6,726,998	4,487,571
Provisions		-	-
Current portion of borrowings-Loan Owings	9	3,209,882	10,340,232
<b>Total Liabilities</b>		<b>9,936,880</b>	<b>14,827,803</b>
<b>Net assets</b>			
Revolving Fund	13	234,910,758	194,910,758
Reserves		-	-
Accumulated surplus	14	15,105,346	10,996,401
<b>Total net assets and liabilities</b>		<b>259,952,984</b>	<b>220,734,962</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2022 and signed by:



Administrator of the Fund  
Gideon Mukiri Muchiri



Fund Accountant  
Dominic Chege Wacera  
ICPAK Member Number: 15593

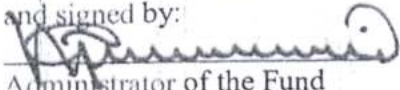


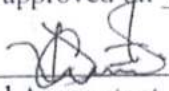
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For the year ended 30<sup>th</sup> June 2022

12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2017	53,413,763	881,457	54,295,220
Surplus/(deficit) for the period	-	1,603,911	1,603,911
Funds received during the year	47,301,000	-	47,301,000
<b>Balance as at 30 June 2018</b>	<b>100,714,763</b>	<b>2,485,368</b>	<b>103,200,131</b>
Balance as at 1 July 2018	100,714,763	2,485,368	103,200,131
Surplus/(deficit) for the period	-	2,545,390	2,545,390
Funds received during the year	20,000,000	-	20,000,000
<b>Balance as at 30 June 2019</b>	<b>120,714,763</b>	<b>5,030,758</b>	<b>125,745,521</b>
Balance as at 1 July 2019	120,714,763	5,030,758	125,745,521
Surplus/(deficit) for the period	-	2,711,764	2,711,764
Funds received during the year	35,195,995	-	35,195,995
<b>Balance as at 30 June 2020</b>	<b>155,910,758</b>	<b>7,742,522</b>	<b>163,653,280</b>
Balance as at 1 July 2020	155,910,758	7,742,522	163,653,280
Surplus/(deficit) for the period	-	3,253,878	3,253,878
Funds received during the year	39,000,000	-	39,000,000
<b>Balance as at 30 June 2021</b>	<b>194,910,758</b>	<b>10,996,401</b>	<b>205,907,158</b>
Balance as at 30 <sup>th</sup> July 2021	194,910,758	10,996,401	205,907,158
Surplus/Deficit for the period		4,108,945	4,108,945
Funds Received During the Year	40,000,000		40,000,000
<b>Balance as at 30 June 2022</b>	<b>234,910,758</b>	<b>15,105,346</b>	<b>250,016,103</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2022 and signed by:

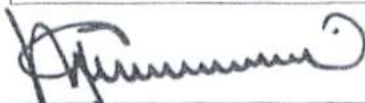
  
Administrator of the Fund  
Gideon Mukiri Muchiri


  
Fund Accountant  
Dominic Chege Wacera  
ICPAK Member Number: 15593

Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund  
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12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received	1	6,490,835	5,354,239
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>6,490,835</b>	<b>5,354,239</b>
<b>Payments</b>			
Fund administration expenses	2	2,368,200	2,091,900
General expenses		-	-
Finance cost	3	13,690	8,460
<b>Total Payments</b>		<b>2,381,890</b>	<b>2,100,360</b>
<b>Net cash flows from operating activities</b>		<b>4,108,945</b>	<b>3,253,879</b>
<b>Cash flows from investing activities</b>			
Accrued Principal Repayments	5	(96,863)	(2,957,763)
Proceeds from loan principal repayments	10	20,095,314	20,426,286
Loan disbursements paid out	11	(75,830,020)	(40,455,321)
<b>Net cash flows used in investing activities</b>		<b>-55,831,569</b>	<b>-22,986,798</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		40,000,000	39,000,000
Additional borrowings			
Repayment of borrowings	12	(700,000)	-
<b>Net cash flows used in financing activities</b>		<b>39,300,000</b>	<b>39,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-12,422,624</b>	<b>19,267,078</b>
Cash and cash equivalents at 1 JULY		20,006,207	739,129
<b>Cash and cash equivalents at 30 JUNE</b>		<b>7,583,583</b>	<b>20,006,207</b>

  
Administrator of the Fund  
Gideon Mukiri Muchiri

  
Fund Accountant  
Dominic Chege Wacera  
ICPAK Member Number: 15593

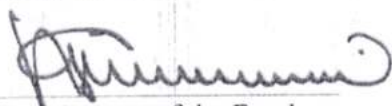


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For the year ended 30<sup>th</sup> June 2022


12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	
<b>Revenue</b>					
Public contributions and donations	-	-	-	-	
Interest income	6,490,835	6,490,835	6,490,835	-	100%
Other income	-	-	-	-	
<b>Total income</b>	<b>6,490,835</b>	<b>6,490,835</b>	<b>6,490,835</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>					
Fund administration expenses	2,368,200	2,368,200	2,368,200	-	100%
Staff costs	-	-	-	-	
General expenses	-	-	-	-	
Finance cost	13,690	13,690	13,690	-	100%
<b>Total expenditure</b>	<b>2,381,890</b>	<b>2,381,890</b>	<b>2,381,890</b>	<b>-</b>	<b>3%</b>
<b>Surplus for the period</b>	<b>4,108,945</b>	<b>4,108,945</b>	<b>4,108,945</b>	<b>-</b>	<b>97%</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2022 and signed by:



Administrator of the Fund  
Gideon Mukiri Muchiri



Fund Accountant  
Dominic Chege Wacera  
ICPAK Member Number: 15593

**13. 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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
The entity did not early – adopt any new or amended standards in year 2022.	The entity did not early – adopt any new or amended standards in year 2022.

**b) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**3. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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



#### **4. Budget information**

The 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.

#### **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*

**Nyandarua County Assembly Staff Car Loan and Mortgage Scheme Fund  
Annual Reports and Financial Statements  
For the year ended 30<sup>th</sup> June 2022**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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.

### **8. 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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *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.

### *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.

## **9. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. There were no reserves held for the fund as at 30<sup>th</sup> June 2022.

## **10. 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.

## **11. 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.

## **12. 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)**

**13. 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.

**14. 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.

**15. 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.

**16. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Further, the interest income has been standardized for all the months.

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by PFM Act 2012. Its ultimate parent is the County Government of Nvandarua.

**19. Currency**

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 20. 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 Notes.

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)**

**21. 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
<b>As At 30 June 2022</b>				
Receivables from exchange transactions	250,973,399	250,973,399		
Receivables from non exchange transactions				
Bank balances	7,583,584	7,583,584		
<b>Total</b>	<b>258,556,983</b>	<b>258,556,983</b>		
<b>As At 30 June 2021</b>				
Receivables from exchange transactions	197,068,191	197,068,191		
Receivables from non exchange transactions				
Bank balances	20,006,207	20,006,207		
<b>Total</b>	<b>217,074,398</b>	<b>217,074,398</b>		

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**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 no significant concentration of credit risk on amounts due

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2022</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2021</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				



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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:

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2022</b>			
Financial assets (investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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**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 currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2022</b>			
Euro	10%		
USD	10%		
<b>2021</b>			
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.



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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:

	<b>2022</b>	<b>2021</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve		
Revolving fund	234,910,758	194,910,758
Accumulated surplus	15,105,346	10,996,401
<b>Total funds</b>	<b>250,016,104</b>	<b>205,907,159</b>
Total borrowings	9,936,880	14,827,803
Less: cash and bank balances	(7,583,584)	(20,006,207)
Net debt/(excess cash and cash equivalents)	2,353,296	(5,178,404)
<b>Gearing</b>	<b>0.9413%</b>	<b>-2.5149%</b>

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest income from mortgage loans	6,490,835	5,354,239
<b>Total interest income</b>	<b>6,490,835</b>	<b>5,354,239</b>

2. Fund Administration Expenses

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Fund Administration Expenses	2,368,200	2,091,900
<b>Total Administration Expenses</b>	<b>2,368,200</b>	<b>2,091,900</b>

3. Finance costs

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Interest on Bank overdrafts	-	-
Bank Charges	13,690	8,460
<b>Total</b>	<b>13,690</b>	<b>8,460</b>

4. Cash and cash equivalents

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Equity Bank AC Number 0620267678184	7,583,584	20,006,207
<b>Total cash and cash equivalents</b>	<b>7,583,584</b>	<b>20,006,207</b>



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Accrued Income

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Repayments earned not received	96,863	2,957,763-
<b>Total accrued Income</b>	<b>96,863</b>	<b>2,957,763-</b>

This relates to repayments that were reported to accrue in the financial year but which were not actually received due to change in the interest computation formula and the effect of the staff who had removed from the payroll and whose repayments was not received for April May and June 2021.

6. Overpaid Loans

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Overpaid loan disbursements	769,138	702,801
<b>Total</b>	<b>769,138</b>	<b>702,801</b>

7. Non-Current Receivables from exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
<b>Non Current receivables</b>		
Long term loan repayments due	251,503,399	197,068,191
<b>Total Non current receivables</b>	<b>251,503,399</b>	<b>197,068,191</b>
<b>Total receivables from exchange transactions</b>	<b>251,503,399</b>	<b>197,068,191</b>

8. Trade and other payables from exchange transactions

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Insurance Owing	6,726,998	4,487,571
<b>Total Trade and other payables</b>	<b>6,726,998</b>	<b>4,487,571</b>

This relates to insurance deducted from the individual loanees which is deducted at the time of issuing the loans but is usually not paid to the insurance company immediately in lump sum but remains as part of the funds available for lending and thus forming part of the liabilities as at the year end.

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**9. Current Portion of Borrowings**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Loans Owings	3,209,882	10,340,232
<b>Total Current Portion of Borrowings</b>	<b>3,209,882</b>	<b>10,340,232</b>

This relates to loans that have been approved by the committee and issued out but are not fully paid as at the end of the year due to issues like lack of enough funds thus remaining owing from the fund and forming part of the liabilities as at the year end.

**10. Proceeds from loan principal repayments**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Principal Loan Repayments	20,095,314	20,426,285
<b>Total Principal Loan Repayments</b>	<b>20,095,314</b>	<b>20,426,285</b>

**11. Loan Disbursements**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Loan Disbursements paid out	75,830,020	40,455,322
<b>Total Loan Disbursements</b>	<b>75,830,020</b>	<b>40,455,322</b>

**12. Repayment of Borrowings**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Insurance Paid out	700,000	0
<b>Total Repayment of Borrowings</b>	<b>700,000</b>	<b>0</b>

**13. Revolving Fund**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Balance Brought forward	194,910,758	155,910,758
Exchequer Receipts during the Year	40,000,000	39,000,000
<b>Total Revolving fund</b>	<b>234,910,758</b>	<b>194,910,758</b>



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14. Accumulated Surplus

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Balance Brought forward	10,996,401	7,742,522
Surplus during the year	4,108,945	3,253,879
<b>Accumulated surplus</b>	<b>15,105,346</b>	<b>10,996,401</b>

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**15. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Under deduction of interest	This was investigated and interest computation formula recomputed	Fund Accountant	Resolved	Adjustments made to the Individual ledgers and effected from April 2021
2.1	Non maintenance of a Trial Balance	We will make sure that this is prepared and fully updated	Fund Accountant	Resolved	Trial Balance and Ledgers are prepared and upto date.
3.21	Non Preparation of Budget	We will ensure this is prepared and submitted to the Fund Committee for approval	Fund Administrator	Not Resolved	To be finalised by 3 <sup>rd</sup> March 2022