

REPUBLIC OF KENYA



*Enhancing Accountability*

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## REPORT

OF

## THE AUDITOR-GENERAL

ON

### NYANDARUA COUNTY EXECUTIVE (STATE AND PUBLIC OFFICERS) CAR LOAN AND MORTGAGE SCHEME FUND

### FOR THE YEAR ENDED 30 JUNE, 2022



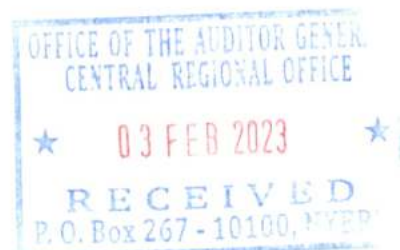
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**NYANDARUA COUNTY EXECUTIVE COMMITTEE MEMBERS' CAR  
LOAN AND MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 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 Executive Committee Members' Car Loan and Mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Table of Content**

1. Key Entity Information and Management	iii
2. The Committee Members	v
3. Management Team	vii
5. Report of The Fund Administrator	x
6. Statement of Performance Against the County Fund's Predetermined Objectives	xi
7. Corporate Governance Statement	xii
8. Management Discussion and Analysis	xiii
9. Environmental and Sustainability Reporting	xiv
10. Report of The Administration Committee	xv
11. Statement of Management's Responsibilities	xvi
12. Report of The Independent Auditor	xviii
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position As At 30 June 2022	3
15. Statement Of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2022	5
16. Statement Of Cash Flows For The Year Ended 30 June 2022	6
17. Statement Of Comparison Of Budget And Actual Amounts For The Period	8
18. Notes to the Financial Statements	9
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	38



**Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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**1. Key Entity Information and Management**

**a) Background information**

Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund was established on 9th March 2016. It derives its authority and accountability from The Public Finance Act 2012,

The fund's objective is to provide car loans and mortgage schemes for the acquisition of properties to motivate the County Executive to retain the necessary skills in the workforce.

The Fund's principal activity is to transform the lives and livelihoods of staff by giving them an avenue for affordable loans. This will eventually translate to better service delivery to the people of Nyandarua County resulting in social Economic Development given a motivated staff and retained personnel and skill.

**b) Principal Activities**

Principal activity/mission/ mandate of the Fund is to grant Car and mortgage loans to The Executive Staff members of the County.

**c) Fund Administration Committee**

Ref	Name	Position
1	Mr Juvenalis Gitau Thiong'o	Chairman
2	Ms Teresa K Njeru	Fund Administrator
3	Mr Joseph Wahome	Member
4	Ms Florence Annan	Member
5	Ms Beatrice Nyambura	Member
6	Mr Philip Wanyeki	Member

**d) Key Management**

Ref	Name	Position
1	Mr. Juvenalis Gitau Thiong'o	Chairman - Signatory to the bank
2	Ms. Teresa K Njeru	Fund Administrator-Signatory to the bank
3	Mr. Joseph Wahome	Signatory to the bank
4	Ms. Beatrice Nyambura	Signatory to the bank
5	Mr. Philip King'ori	Signatory to the bank
6	Ms. Margaret Gachomo	Fund Accountant



***Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022***

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**e) Registered Offices**

County Government of Nyandarua  
P.O. Box 701-20303  
Headquarter Building  
Gilgil -Nyahururu Road  
Ol kalou, KENYA

**f) Fund Contacts**

Telephone: (254) 20266859  
E-mail: [info@nyandarua.go.ke](mailto:info@nyandarua.go.ke)  
Website: [www.nyandarua.go.ke](http://www.nyandarua.go.ke)

**g) Fund Bankers**

1. Family Bank  
Ol kalou Branch  
P.O Box 74145-00200  
Nairobi, Kenya

**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  
Nyandarua County  
P.O. Box 701-20303  
Olkalou, Kenya

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**2. The Committee Members**

Name	
1.	 <p><b>Juvenalis Gitau Thiong'o</b> <b>Chief Officer –Finance</b></p> <p>He hold Master's Degree in Business Administration (Finance option),CPA(K) and Bachelor of commerce (Accounting option) .He has worked on private sectors as Head of Finance, Finance and Operation Manager, Ware house manager and Branch manager. He has 20 years work experience. He was born on 14th December 1977.</p>
2.	 <p><b>Ms Teresa K. Njeru</b></p> <p>Administrator to the Fund, She is a holder of Master degree in Business Administration, HRM. She has Over 18 years work experience in HR practice in the Government. She . was born on 5th February 1957</p>
3.	 <p><b>Mr. Joseph Wahome</b></p> <p>He is a holder of Master degree in Business Administration, CPA (K) and Bachelor degree BBA (Finance &amp; Accounting). He has 7 years working experience in government as a deputy director finance. He has over 17 years' experience as a senior accountant. He was born on 02/01/1974</p>

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

4.



**Mr. Philip Kingori**

He is a holder of MBS procurement & logistics, and Bachelor degree of arts in supplies. He has 21 years working experience in procurement. He was born on 20th August, 1966

5.



**Ms Florence Annan**

She is currently the Chief Officer – Lands, Physical Planning and Urban Development for the County Government of Nyandarua, a position she has held over the past 2 years with a brief stint as Chief Officer Health Services. She is passionate about strengthening governance systems and mechanisms to enable effective service delivery to the citizenry. In her current tenure she has successfully led the implementation of the Nyandarua County Titling Program where 24 former colonial and squatter villages have been surveyed and planned with over 1,200 titles already issued and another 2,307 titles currently being processed.

6.






**Ms Beatrice Nyambura**

Im a holder of Bachelor of Laws Degree (LLB) and a post graduate Diploma from the Kenya School of Law. An Advocate of the High Court of Kenya and a member of the Law Society of Kenya with over 9 years of experience. I have 7 years work experience in the County Government where I have served in different capacities as Director of Legal Services, Ag. Chief Officer - Communication, legal, ICT and intergovernmental affairs, Ag. County Attorney and currently as Director Land Administration and Management. I was born on 11th April 1989.



*Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**3. Management Team**

Name	
1.	 <p><b>Juvenalis Gitau Thiong'o</b> <b>Chief Officer –Finance</b></p> <p>He hold Master's Degree in Business Administration (Finance option),CPA(K) and Bachelor of commerce (Accounting option) .He has worked on private sectors as Head of Finance, Finance and Operation Manager, Ware house manager and Branch manager. He has 20 years work experience. He was born on 14th December 1977.</p>
2.	 <p><b>Ms Teresa K. Njeru</b></p> <p>Administrator to the Fund, She is a holder of Master degree in Business Administration, HRM. She has Over 18 years work experience in HR practice in the Government. She . was born on 5th February 1957</p>
3.	 <p><b>Mr. Joseph Wahome</b></p> <p>He is a holder of Master degree in Business Administration, CPA (K) and Bachelor degree BBA (Finance &amp; Accounting). He has 7 years working experience in government as a deputy director finance. He has over 17 years' experience as a senior accountant. He was born on 02/01/1974</p>

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

4.



**Mr. Philip Kingori**

He is a holder of MBS procurement & logistics, and Bachelor degree of arts in supplies. He has 21 years working experience in procurement. He was born on 20th August, 1966

5.



**Margaret Gachomo  
Fund Accountant,**

She is CPA(K), Bachelor of commerce (Accounting option) .She worked with the local authority before devolution as an accountant and commercial manager of water company on secondment. She has 25 years' work experience. She was born on 27th December 1975.

6.



**Ms Beatrice Nyambura**

Im a holder of Bachelor of Laws Degree (LLB) and a post graduate Diploma from the Kenya School of Law. An Advocate of the High Court of Kenya and a member of the Law Society of Kenya with over 9 years of experience. I have 7 years work experience in the County Government where I have served in different capacities as Director of Legal Services, Ag. Chief Officer - Communication, legal, ICT and intergovernmental affairs, Ag. County Attorney and currently as Director Land Administration and Management. I was born on 11th April 1989.

***Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022***

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**4. Fund Chairperson's Report**

The Nyandarua County Executive Car Loan & Mortgage scheme is established as provided for in the PFM. The Funds derive its authority and accountability from the PFM Act, 2012 and regulations, 2015. The Fund was established as a Revolving Fund with the annual enhancement from the Executive Budget and appropriations by the County Assembly and is based on projected credit needs of the County Executive Committee.

The County Treasury prepared the budget for 2021/22 in accordance with section 135 of the PFM Act and later submitted to the County Assembly for considerations and approval. The budget was approved paving way for expenditure.

The Fund changed one committee member Mr. Nelson Kimilu to Ms. Florence Annan Chief Officer lands.

During the Financial year, there was no loan disbursed Compared to Kshs 2,400,000 disbursed the previous Financial year 2020-21. This has been a motivation tool to the Executive members.

The Nyandarua County Executive Members' Car Loan & Mortgage recorded decrease on long-term receivable to Kshs 29,881,000 from Kshs. 40,198,193 in the previous Financial Year 2020-21. This was as a result of the lapse of County Executive Committee members contracts, hence clearing their loans and there are no new loans applications.

We are confident that the growth will be maintained into the future.

 21/2/23  
Mr. Juvenalis Gitau Thiong'o  
**Fund Chairman**



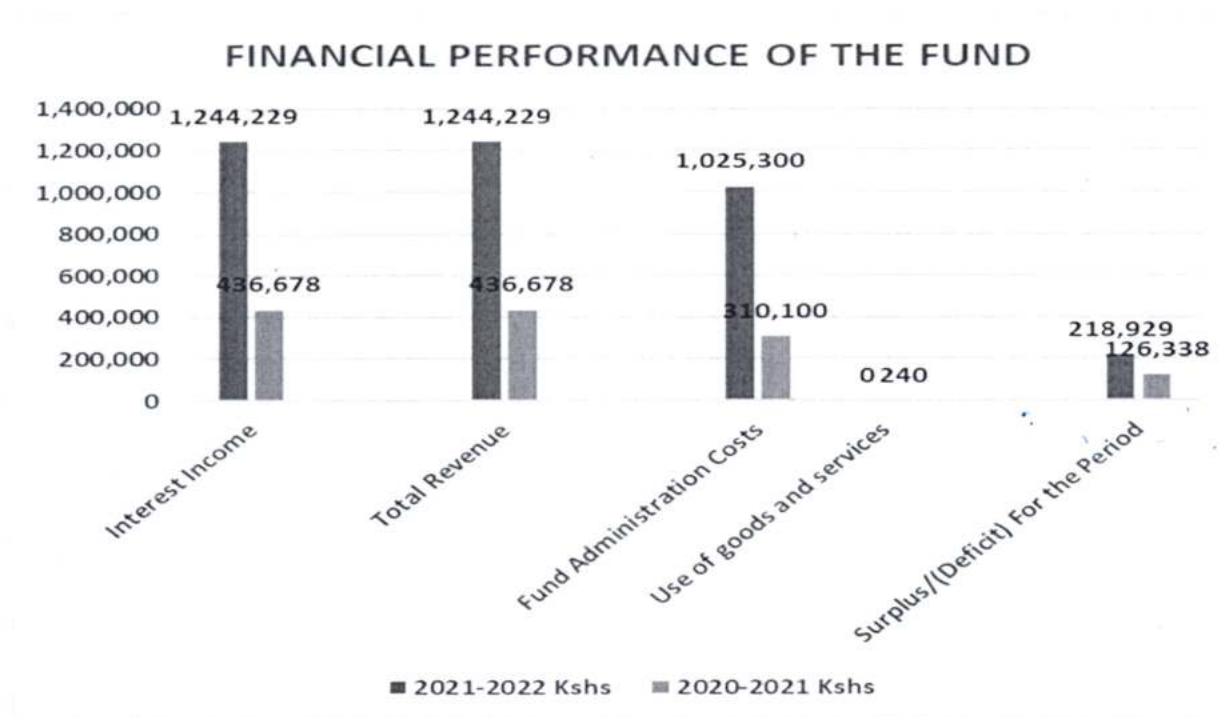
**5. Report of The Fund Administrator**

In the FY 2021/2022, the County Assembly approved the Budget which appropriated Kshs. 66,000,000 (Sixty-six million) to both car loan and Mortgage Fund. The Fund had no demand for cash out flow therefore there was no transfer to the Fund.

We are confident 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 Executive member.

The fund performance within the year had an interest income amounting to ksh 1,742,079 against operation costs of ksh 1,523150 resulting to a surplus of ksh 218,929. This was an improvement compared to the previous year, FY 2020/21, surplus of Ksh 126,338.

The performance of the Fund is illustrated below bar chart



*[Handwritten Signature]* 2/2/23

**Name: Teresa K Njeru**

**Fund Administrator**

**6. Statement of Performance Against the County Fund's Predetermined Objectives**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial Year, the Accounting officer when prepares financial statements of each County Government Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board, including a statement of the Nyandarua County Executive Committee Members' car loan and Mortgage Scheme Fund's performance against predetermined objectives.

The key development objectives of the Nyandarua County Executive Committee Members' Car Loan & Mortgage Scheme Fund 2018-2022 plan are to:

- a) Facilitate the acquisition of a car or property for County public servants to motivate them and retain the requisite services for the County Public Service.

**Progress on the attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
County Executive Committee Members' Car Loan & Mortgage	To facilitate property acquisition by the County public staff	Motivated staff	Staff turnover ratio/rate	There no loans issued in the financial year 2021/22. The repayments within the Financial year amounted to Ksh 10,317,193.

**7. Corporate Governance Statement**

The roles and functions of the Fund are as stipulated in the Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund Act while the remuneration to the Committee is as per the provisions of the Salaries and Remuneration Committee. To enhance integrity in the dispensation of the roles of the Committee, members are to avoid any conflict of interest or declare where is.



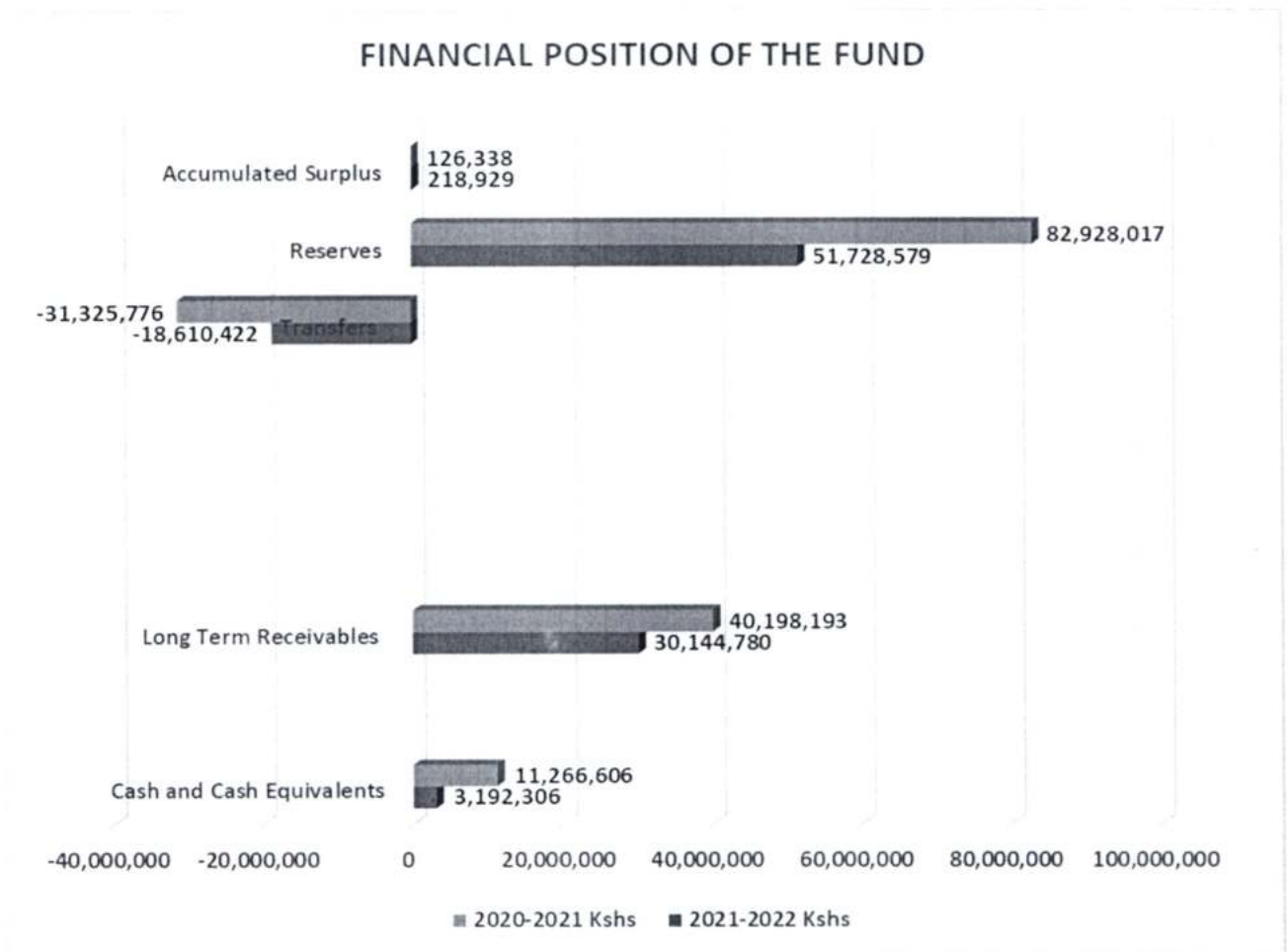
**8. Management Discussion and Analysis**

The management of the Fund was guided by the PFM Act, 2012 and regulations 2015 and the Act of the Asset on which the Fund is anchored to govern its operations and comply with disbursement policies.

In the financial year ended 30th June 2021, the fund had a closing Reserves of Kshs. 51,728,579 with no additional fund, an accumulated surplus of Kshs. 218,929. This resulted to a total net asset of Kshs. 51,947,508. The Financial year ended 30 June 2022 an amount of ksh 18,610,422 was transferred to Nyandarua county civil servant car loan and mortgage Fund resulting to a closing reserve as at 30<sup>th</sup> June 2022 at ksh 33,118,157. The total amount of loan payment within the year amounts to Ksh 10,317,193 compared to ksh23,126,217 previous Financial year 2020-21.

During the Financial year an amount of Ksh 18,610,422 transferred to Civil Servants; Car loan and mortgage to cater for the demand. There was no disbursement during the Year compared with the Kshs. 2,400,000 disbursed in the FY 2020/2021. This advised the need to merge the two funds.

The Fund Financial position is illustrated below;



During the Financial Year there was no statutory obligation.

## **9. Environmental and Sustainability Reporting**

Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund exists to motivate the County Executive Committee Members to the reduce rate of staff turnover and retain skills in the labour force. Key factors on which the disbursement of the loans is anchored to:

### **1. Sustainability strategy and profile -**

The Revolving Fund sustainability is assured through the existence of Fund Managers/Administrators – Family Bank who ensure that the loans taken up by staff are sufficiently secured, whilst the beneficiaries can repay the loan without strain on their financial resources as per the requirement of the 1/3<sup>rd</sup> salary rule. A proportion of the Income interest is also lumped up with the Fund and marginally contribute to the growth of the Fund.

### **2. Employee welfare**

Employee welfare is essential for sustainability in the implementation of County Programmes and projects. Disbursement of the loans at the favourable rates allow for personal development whilst removing hurdles that limit their disposable income.

## **10. Report of The Administration Committee**

The Fund Administration Committee will submit its report together with the financial statements for the Year ended 30th June 2022, which shows the state of the Fund affairs.

### **Principal activities**

The principal activities of the Fund are to disburse Car and Mortgage Loans to the County Executive Committee Members.

### **Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1

### **Committee**

The members of the Committee who served during the year are shown on page vii. The changes in the Board during the financial year are as shown below:

<b>Outgoing</b>	<b>Incoming</b>
Mr. Nelson Kimilu	Ms. Florence Annan

### **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

 2/2/23

Mr. Juvenalis Gitau Thiong'o

**Fund Chairman**



## **11. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *Section 116 of the PFM Act, 2012* 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 September 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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 December 31, 2020, and of the Fund's financial position as at that date. The Administrator further confirms 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

***Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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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 2/2/ 2023 and signed on its behalf by:

  
.....  
Teresa K Njeru  
**Fund Administrator**



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON NYANDARUA COUNTY EXECUTIVE (STATE AND PUBLIC OFFICERS) 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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nyandarua County Executive (State and Public Officers) Car Loan and Mortgage Scheme Fund set out on pages 1 to 42, 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 of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyandarua County Executive (State and Public Officers) 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 the Public Finance Management Act, 2012 and comply with the Nyandarua County Executive (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2022.

## **Basis for Qualified Opinion**

### **1.0 Inaccuracy in Statement of Changes in Net Assets**

The statement reflects a balance of Kshs.82,928,017 as at 01 July, 2020 while the prior years' comparative figure was Kshs.82,067,890 resulting to un-explained difference of Kshs.860,127.

In the circumstances, the accuracy and completeness of the statement of net assets for the year under review could not be confirmed.

### **2.0 Unsupported Financial Statement Balances**

The following balances were not supported with the requisite schedules and documents.

<b>No.</b>	<b>Component</b>	<b>Note</b>	<b>Amount Kshs</b>
1.	Committee Allowances	7	1,025,300
2.	Current Portion of Long-Term Receivables from Exchange Transactions	-	2,506,576
3.	Long-Term Receivables from Exchange Transactions	-	27,638,204

In the circumstances, the accuracy, completeness and propriety of the respective financial statement balances could not be confirmed.

### **3.0 Non-Performing Loans**

The statement of financial position as at 30 June, 2022 reflects Kshs.27,638,204 in respect of long outstanding receivables from exchange transactions. However, as reported in the previous year, the balance includes Kshs.11,585,281 in respect of loans owed by three (3) scheme members, which were not serviced during the year under review. Management explained that the loans were owed by individuals whose contracts were terminated. However, there was no evidence of the efforts made by Management to recover the outstanding loan balances.



In the circumstances, the recoverability of the loans in default could not be confirmed as at 30 June, 2022.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyandarua County Executive (State and Public Officers) 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 qualified opinion.

### **Key Audit Matters**

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

### **Other matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved 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: AG.4/16/2 Vol.3 (72) dated 30 June, 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, except for the matters described in the Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Name of the Fund**

Regulation 3 of the Nyandarua County Executive (State and Public Officers) Car Loan and Mortgage Scheme Fund Regulations, 2022 provides that there is established a Fund known as the Nyandarua County Executive State and Public Officers Car Loan and Mortgage Scheme Fund. However, the financial statements prepared and presented for



audit indicate the name of the Fund as Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund.

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

## **2.0 Establishment of Multiple Funds**

As reported in the previous year, the loans Management Committee of both the Nyandarua County Executive (State and Public Officers) Car Loan and Mortgage Scheme Fund and that of Nyandarua County Civil Servants Car Loan held joint meetings at which the business of the two Funds was transacted. This implies that there is no justification in setting up multiple Funds, as provided by Regulation, 197(1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that a clear justification is required as to why a Fund structure is deemed appropriate for improved service delivery in light of the legislative and policy mandate of the County Government entity. Therefore, extra cost is incurred in running the two Funds as separate entities.

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

## **3.0 Exceeded Fund Administration Expenses Limit**

Note 4 to the financial statements reflects Kshs.1,742,079 in respect of total interest income for the year ended 30 June, 2022 against actual fund administration expenses as per Note 7 to the financial statements of Kshs.497,850, or (28%) of the income. This is contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budgets of the Fund.

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

## **4.0 Budgetary Control and Performance**

Review of the statement of comparison of budget and actual amounts for the year ended 30 June, 2022 revealed that the Fund had a total expenditure budget of Kshs.1,790,000 against actual total expenditure Kshs.1,523,150 or utilization of 85% resulting to under absorption of Kshs.266,850 or 15%. The under absorption may have affected the delivery of service to the members of the Fund.

Further, the budgeted amount of Kshs.1,790,000 was not supported by detailed approved budget, workplans or minutes contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance



about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

#### 1.0 Lack of Internal Audit Function

During the year under review, it was noted that the Fund did not have an internal audit function and the requisite audit charter and workplans. Although the Management explained that the it entirely used the County Government's internal audit department, there was no evidence that the said department conducted any audit contrary to Regulation 153(1)(a) of the Public Finance Management(County Governments) Regulations, 2015 which states that (a) internal auditors shall evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities including County Assembly.

In the absence of an internal audit function, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended. Further, the Management was in breach of the law.

#### 2.0 Non-Maintenance of Ledger for Accounting Records

Records provided for audit indicate that the Fund did not maintain ledger records for assets, liabilities, receipts and expenditures in manual or electronic form. However, only a manual cash book was maintained and therefore double entry accounting principle was not applied contrary to Regulation 102(1) of the Public Finance Management (County Governments) Regulations, 2015 that requires financial records to be maintained in manual or electronic form. Further, no individual ledger records were maintained in respect of loans issued, interest accrued or principal and interest payments thereby resulting to incomplete records.

In the circumstances, the Fund's financial reporting and operations internal control system was not functioning as intended during the year under review.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance



were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Fund's 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 services, disclosing, as applicable, matters related to sustainability of services and using applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the Fund's 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 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 controls 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 controls 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 controls.
- 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 Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

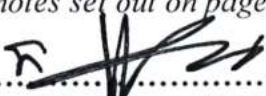
07 March, 2023

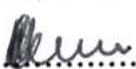
**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Performance For The Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	1,742,079	436,678
Other Income	5	-	-
		-	-
<b>Total Revenue</b>		<b>1,742,079</b>	<b>436,678</b>
<b>Expenses</b>			
Employees Costs	6	-	-
Use of goods and services	7	1,523,150	310,340
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>1,523,150</b>	<b>310,340</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/(Deficit) For the Period</b>		<b>218,929</b>	<b>126,338</b>

(The notes set out on pages 19 to 29 form an integral part of these Financial Statements)

  
 Name: Ms. Teresa K Njeru  
 Administrator of the Fund  
 Date: 2/2/23

  
 Name: CPA Margaret W Gachomo  
 Fund Accountant  
 ICPAK Member Number: 14009  
 Date: 2/2/23

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**


**14. Statement of Financial Position as at 30 June 2022**


	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	3,192,306	11,266,606
Current Portion of Long- Term Receivables From Exchange Transactions	22	2,506,576	263,780
Prepayments	12	-	-
Inventories	13	-	-
Total current Asset		<b>5,698,882</b>	<b>11,530,386</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	14	-	-
Intangible Assets	15	-	-
Long Term Receivables from Exchange Transactions	22	27,638,204	40,198,193
		<b>27,638,204</b>	<b>40,198,193</b>
<b>Total Assets</b>		<b>33,337,086</b>	<b>51,728,579</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	16	-	-
Provisions	17	-	-
Current Portion of Borrowings	18	-	-
Employee Benefit Obligations	19	-	-
		-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		<b>33,337,086</b>	<b>51,728,579</b>
Revolving Fund	2	-18,610,422	-31,325,776
Reserves		51,728,579	82,928,017
Accumulated Surplus		218,929	126,338
<b>Total Net Assets and Liabilities</b>		<b>33,337,086</b>	<b>51,728,579</b>

***Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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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 21<sup>st</sup> 2022 and signed by:

  
.....  
Name: Teresa K Njeru  
Administrator of the Fund

  
.....  
Name: CPA Margaret Gachomo  
Fund Accountant  
ICPAK Member Number:14009



**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Revaluation Reserve	Accumulate d surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	82,928,017	-	-	82,928,017
Surplus/(Deficit) For the Period	-	-	126,338	126,338
Funds Received During the Year	-	-	-	-
Transfers	-31,325,776	-	(-)	-31,325,776
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	<b>51,602,241</b>	<b>-</b>	<b>126,338</b>	<b>51,728,579</b>
<b>Balance As At 1 July 2021</b>	<b>51,728,579</b>	<b>-</b>	<b>-</b>	<b>51,728,579</b>
Surplus/(Deficit) For the Period	-	-	218,929	218,929
Funds Received During the Year	-	-	-	-
Transfers to civil servant car loc and mortgage fund	(18,610,422)	-	(-)	(18,610,422)
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	<b>33,118,157</b>	<b>-</b>	<b>218,929</b>	<b>33,337,086</b>



Name: Teresa K Njeru  
Administrator of the Fund

Date: 2/2/23



Name: CPA Margaret Gachomo  
Fund Accountant

ICPAK Member Number: 14009

Date: 2/2/23

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**16. Statement Of Cash Flows For The Year Ended 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received	4	1,742,079	436,678
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>1,742,079</b>	<b>436,678</b>
<b>Payments</b>			
Fund administration expenses		-	-
Use of goods	7	1,523,150	310,340
Finance cost		-	-
Other payments		-	-
<b>Net cash flows from operating activities</b>	21	<b>218,929</b>	<b>126,338</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		(-)	(-)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		10,317,193	23,126,217
Loan disbursements paid out		(-)	(2,400,000)
<b>Net cash flows used in investing activities</b>		<b>10,317,193</b>	<b>20,726,217</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts	14b	-18,610,422	-31,325,776
Additional borrowings			
Repayment of borrowings		(-)	(-)
<b>Net cash flows used in financing activities</b>	14b	<b>-18,610,422</b>	<b>-31,325,776</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(8,074,300)</b>	<b>(10,693,360)</b>
Opening Cash and cash equivalents at 1 July	11	11,266,606	21,959,966
<b>Closing Cash and cash equivalents at 30 th June</b>	11	<b>3,192,306</b>	<b>11,266,606</b>



*Nyandarua County Executive Committee Members' Car Loan and Mortgage Fund*  
Annual Report and Financial Statements for the year ended June 30, 2022

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.....  
Name: Teresa K Njeru  
Administrator of the Fund

Date... 2/2/23' .....



.....  
Name: CPA Margaret Gachomo  
Fund Accountant

ICPAK Member Number: 14009

Date... 2/2/23 .....

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**17. Statement Of Comparison Of Budget And Actual Amounts For The Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Public Contributions and Donations	-	(-)	-	-	(-)	-
Transfers From County Govt.	-	-	-	-	-	-
Interest Income	1,790,000	-	1,790,000	1,742,079	47,921	97.30%
Other Income	-	-	-	-	-	
<b>Total Income</b>	1,790,000	(-)	1,790,000	1,742,079	<b>47,921</b>	<b>97.30%</b>
<b>Expenses</b>						
Fund Administration Expenses	500,000	-	500,000	497,850	2,150	99.57%
General Expenses/use of goods	1,290,000	(-)	1,290,000	1,025,300	264,700	79.48%
Finance Cost	-	(-)	-	-	-	
<b>Total Expenditure</b>	1,790,000	(-)	1,790,000	1,523,150	<b>266,850</b>	<b>85%</b>
<b>Surplus for The Period</b>	-	-	-	<b>218,929</b>		



**18. Notes to the Financial Statements**

**1. General Information**

The Fund is established by and derives its authority and accountability from PFM Act. The Fund is wholly owned by the Nyandarua County Government and is domiciled in Kenya. The entity's principal activity is to grant car loans and mortgage loans to civil servants of Nyandarua County.

**2. 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.

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

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) 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>
<b>IPSAS 41: Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022*

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>



**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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



**1. Significant Accounting Policies**

**a) 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.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 11<sup>th</sup> May 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Nil on the FY 2021-2022 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. 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 7 of these financial statements.

*Summary Of Significant Accounting Policies (Continued)*

**c) 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.

**d) 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.

**a) 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 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 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.



***Summary Of Significant Accounting Policies (Continued)***

**b) 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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**c) 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.

**d) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**e) 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.

**f) 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.

**g) 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.



*Summary Of Significant Accounting Policies (Continued)*

**h) 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.

**i) 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.

**j) 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.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The Fund is a County Public Fund established by PFM Act under the Finance Department. Its ultimate parent is the County Government of Nyandarua.

**n) Currency**

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



*Summary Of Significant Accounting Policies (Continued)*

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

The preparation of the Fund 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.

**a) Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

**c) 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.

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022*

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**2. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers to Nyandarua county civil servant car loan and Mortgage	18,610,422	31,325,776
Payments By County On Behalf Of The Fund	-	-
<b>Total</b>	<b>18,610,422</b>	<b>31,325,776</b>

**3. Fines, penalties and other levies**

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income from Car & Mortgage Loans	1,742,079	436,678
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>1,742,079</b>	<b>436,678</b>

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income		
<b>Total Other Income</b>	-	-

**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other	-	-
<b>Total</b>	-	-

**7. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Fund Administration Cost	497,850	-
Committee Allowances	1,025,300	310,100
Bank Charges	-	240
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-



**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Description	2021/22 Kshs.	2020/21 Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other	-	-
<b>Total</b>	<b>1,523,150</b>	<b>310,340</b>

**8. Depreciation and Amortization Expense**

Description	2021/22 Kshs.	2020/21 Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance costs**

Description	2021-2022 Kshs	2020-2021 Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**10. Gain/(loss) on disposal of assets**

Description	2021-2022 Kshs	2020-2021 Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**11. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Nyandarua Executive members 'Car Loan and Mortgage Account	3,192,306	11,266,606
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
<b>Total Cash And Cash Equivalents</b>	<b>3,192,306</b>	<b>11,266,606</b>

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Kenya Commercial Bank		-	-
Family Bank	037000011607	3,192,306	11,266,606
<b>Sub- Total</b>		<b>3,192,306</b>	<b>11,266,606</b>
<b>d) Others(Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>3,192,306</b>	<b>11,266,606</b>

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**12. Prepayments**

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
<b>Total</b>	-	-

**13. Inventories**

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	-	-



*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**14. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	(-)	-	(-)
Transfers/Adjustments	-	-	-	(-)	(-)
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Additions	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)
Transfer/Adjustments	(-)	-	-	(-)	(-)
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July 2020	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	(-)	-	-	-	-
Impairment	(-)	(-)	-	-	(-)

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	(-)	(-)	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Net Book Values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes To The Financial Statements (Continued)**

**15. Intangible assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
<b>Amortization And Impairment</b>		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
<b>NBV</b>	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
<b>Total Trade And Other Payables</b>	-	-

**17. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	(-)	(-)	(-)	(-)
Change Due To Discount And Time Value For Money	(-)	(-)	(-)	(-)
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End Of The Year (30.06.2022)</b>	-	-	-	-



*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**18. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance at Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments of External Borrowings During the Period	(-)	(-)
Repayments Of Domestic Borrowings During the Period	(-)	(-)
<b>Balance At End of The Period</b>	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'Organization'	-	-
Sterling Pound Denominated Loan From 'Organization'	-	-
Euro Denominated Loan from Organization'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End Of The Year</b>	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

*Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes To The Financial Statements (Continued)**

**19. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**20. Cash generated from operations**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>218,929</b>	<b>126,338</b>
<b>Adjusted For:</b>	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	(-)	(-)
Interest Income	(-)	(-)
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	(-)	(-)
Increase In Receivables	(-)	(-)
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>218,929</b>	<b>126,338</b>

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures**

**21. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-



*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**e) Due to related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**22. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	263,780	263,780
Current Loan Repayments Due	2,242,796	-
Other Exchange Debtors-Transfer to civil Car loan		-
Less: Impairment Allowance	(-)	(-)
<b>Total Current Receivables</b>	<b>2,506,576</b>	<b>263,780</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	27,638,204	40,198,193
<b>Total Non- Current Receivables</b>	<b>27,638,204</b>	<b>40,198,193</b>
<b>Total Receivables From Exchange Transactions</b>	<b>30,144,780</b>	<b>40,461,973</b>

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	263,780	220,140
Accrued interest receivable from of long-term loans of previous years	-	43,640
Interest receivable from current portion of long-term loans issued in the current year		-
<b>Current loan repayments due</b>	<b>263,780</b>	<b>263,780</b>
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

Current portion of long-term loans issued in the current year	-	-
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**23. Contingent assets and contingent liabilities**

<b>Contingent Liabilities</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Court Case Against The Fund	319,645	-
Bank Guarantees	-	-
<b>Total</b>	<b>319,645</b>	<b>-</b>

*Interest unpaid due to court case.*

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**24. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	<b>30,144,780</b>	20,881,000	263,780	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	<b>3,192,306</b>	-	-	-
<b>Total</b>	<b>33,337,086</b>	<b>20,881,000</b>	<b>263,780</b>	-
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions	40,198,193	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	<b>11,266,606</b>	-	-	-



*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Total</b>	<b>51,464,799</b>	<b>-</b>	<b>-</b>	<b>-</b>
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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from 0

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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2021</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**c) Market risk**

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

The Committee has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 eFund'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
<b>At 30 June 2021</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

**Foreign currency sensitivity analysis**

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

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 entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2021 – KShs 0)

**d) Capital risk management**



*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*

**Annual Report and Financial Statements for the year ended June 30, 2022**

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	<b>51,728,579</b>	82,928,017
Revolving fund/transfers	-18,610,422	-31,325,776
Accumulated surplus	218,929	126,338
<b>Total funds</b>	<b>33,337,086</b>	<b>51,464,799</b>
Total borrowings	-	-
Less: cash and bank balances	(3,192,306)	(11,266,606)
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022*

**19. Progress on Follow up of Prior Year Auditor's 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 / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p><b>Unsupported Fund Administration Expenses.</b> The statement of the Financial performance reflects Fund Administration expenses balance of Ksh 310,100 for the year ended 30<sup>th</sup> June ,2021 and as disclosed in note 6 to the Financial statements. However, the expenditure was not supported by way of committee members names, appointment letters, rate of payments and meetings minutes. Further the sitting allowances were paid to eleven (11) members instead of five (5) members in breach of regulation 6(1) of the Nyandarua County Executive Committee Members car loan and mortgage scheme Fund (Amendment) Regulation 2015 which limits the committee membership to five persons. In the circumstances, the accuracy, completeness and validity of the Fund Administration expenses of Ksh 310,00 could not be confirmed.</p>	<p><i>The committee amended the fund regulation. The committee co-opted the extra members to the operation of the fund. The regulation 6(3) states that the committee may co-opt staff to attend the meetings. (Annex ii)</i></p>	Resolved	

Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
2.0	<p><b>Un supported current portion of Long-term Receivable from Exchange Transaction</b></p> <p>The Statement of Financial position reflect current portion of long-term receivables balance Ksh 263,780 as at 30 June ,2021 and as disclosed in Note 11 to the Financial statement. However, the balance was not supported by a way of detailed schedule showing Opening balance, addition for the year, interest and repayments to arrive at the closing balance for the year.</p> <p>In the circumstances, the accuracy and completeness of the current of long-term receivables from exchange transaction balance of ksh 263780 could not be confirmed.</p>	<p><i>The Ksh 263,780 is the interest receivables from the defaulters See the below tabulation showing the opening balance amount for the year, addition and repayment made to arrive to the closing balance of Ksh 263,780</i></p> <table border="1" data-bbox="981 687 1442 1292"> <thead> <tr> <th data-bbox="981 687 1218 767">Details</th> <th data-bbox="1218 687 1442 767">Amounts</th> </tr> </thead> <tbody> <tr> <td data-bbox="981 767 1218 879"><b>Opening balance</b></td> <td data-bbox="1218 767 1442 879">43,640</td> </tr> <tr> <td data-bbox="981 879 1218 1023">Addition for the year</td> <td data-bbox="1218 879 1442 1023">220,140</td> </tr> <tr> <td data-bbox="981 1023 1218 1161">Repayment in the year</td> <td data-bbox="1218 1023 1442 1161">0</td> </tr> <tr> <td data-bbox="981 1161 1218 1292"><b>Closing balance</b></td> <td data-bbox="1218 1161 1442 1292"><b>263,780</b></td> </tr> </tbody> </table>	Details	Amounts	<b>Opening balance</b>	43,640	Addition for the year	220,140	Repayment in the year	0	<b>Closing balance</b>	<b>263,780</b>	Not resolved	Awaiting court Ruling
Details	Amounts													
<b>Opening balance</b>	43,640													
Addition for the year	220,140													
Repayment in the year	0													
<b>Closing balance</b>	<b>263,780</b>													



*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
3.0	<p><b>Unsupported Long-term Receivable from Exchange Transactions.</b></p> <p>The statement of Financial position reflects long term receivable from exchange transactions balance of ksh 40,198,193 as at 30 June, 2021 as disclosed in note 22 to the financial statements. However, the balance was not supported by way of a detailed schedule showing opening balances, additions for the year, interest and repayment to arrive at the closing balance for the year.</p> <p>In the circumstances, the accuracy and completeness of the long-term receivables from exchange transaction balance of Ksh 40,198,193 could not be confirmed.</p>	<p><i>Below is the tabulation of the long term receivables showing opening balance, additions for the year and repayments to arrive to the closing balance of Ksh 40,198,192.</i></p> <table border="1" data-bbox="972 655 1420 1050"> <thead> <tr> <th>Details</th> <th>Amounts</th> </tr> </thead> <tbody> <tr> <td><b>Opening balance</b></td> <td>60,924,409</td> </tr> <tr> <td>Addition for the year</td> <td>2,400,000</td> </tr> <tr> <td>Repayment in the year</td> <td>(23,126,217)</td> </tr> <tr> <td><b>Closing balance</b></td> <td><b>40,198,193</b></td> </tr> </tbody> </table> <p>See annex...for your review.</p>	Details	Amounts	<b>Opening balance</b>	60,924,409	Addition for the year	2,400,000	Repayment in the year	(23,126,217)	<b>Closing balance</b>	<b>40,198,193</b>	resolved	
Details	Amounts													
<b>Opening balance</b>	60,924,409													
Addition for the year	2,400,000													
Repayment in the year	(23,126,217)													
<b>Closing balance</b>	<b>40,198,193</b>													
4.0	<p><b>Irregular Loan Disbursement</b></p> <p>The statement of cashflow reflects loan disbursements paid out of Ksh 2,400,000 for the year ended 30<sup>th</sup> June,</p>	The disbursement paid out of ksh 2,400,000 was for refinancing.	Resolved											

Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>2021 in respect of car loan. However documents provided for the audit revealed that the loan was applied to purchase a vehicle for a scheme member who was both the seller and the buyer. In addition, the transaction was not supported by a sale contract or valuation report.</p> <p>In the circumstances, the validity and completeness of the loan disbursement paid out balance of ksh 2,400,000 could not be confirmed.</p>			
5.0	<p><b>Non-Performing Loans</b></p> <p>The statement of financial position as at 30 an as disclosed in note 11 reflects long term receivable of 40,198,193. However the balance include Kshs. 11,585,281 is in respect of loans held by three (3) scheme members, which were not serviced during the year under review .Management</p>		Not resolved	Awaiting court ruling

*Nyandarua County Executive Committee members 'Car Loan And Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>explained that the loans were owned by individuals whose contracts were terminated. However there was no evidence of effort made by the management to recover the outstanding loan balances.</p> <p>In the circumstance, the recoverability and completeness of the loan amount of Ksh 11,585,281 could not be confirmed.</p>			