

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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CLERK AT THE TABLE	Angela

OF

THE AUDITOR-GENERAL



ON

**COUNTY ASSEMBLY OF EMBU
CAR LOAN AND MORTGAGE
(MEMBERS) SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**



COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (MEMBERS) SCHEME
FUND ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2023

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

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

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1. Acronyms and Glossary of Terms

b) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
CAE	County Assembly of Embu
CASBE	County Assembly Service Board of Embu
NT	National Treasury
EACC	Ethics and Anti-Corruption Commission
COB	Controller of Budget
PAC	Public Accounts Committee
PIA	Principal Internal Auditor
FA	Fund Administrator
CA	County Assembly
CoK	Constitution of Kenya 2010

a) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
Fund Administrator	The person responsible for financial management of the fund

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2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly of Embu Car loan and Mortgage scheme fund is established pursuant to Section 116 of the PFM Act and supplemented with the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. The fund was established in 2014 as 2 funds i.e The County Assembly of Embu Car Loan (Members) scheme fund and County Assembly of Embu Mortgage (Members) Scheme fund and separate regulations for each fund were developed in 20th March 2014.

In 24th January 2019, under the advisory from SRC the 2 funds were consolidated into 1 fund and new regulations were developed accommodate the collapsing of these 2 funds into 1 fund. These regulations were renamed as County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund regulations 2019.

In 10th November 2022 the regulations were repealed again to accommodate the dynamic changes in the fund hence renamed County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund regulations 2022 which are currently in force .

The Fund is wholly owned by the County Assembly of Embu and is domiciled in Kenya. The objective of fund is to provide Car and Mortgage loans to MCAs to facilitate them in their roles as enshrined in the Constitution.

The principal activity of the fund is to provide car loans and mortgage to Members of the County Assembly at affordable interest rates in order to facilitate them buy or construct individual residential houses and purchase cars for their use in order to serve their electorate efficiently.

Section 167 of the Public Finance Management (PFM) Act 2012 mandates the Administrator of public funds with the responsibility of the preparation of annual financial statements. For proper management of the fund and as advised by the SRC in the circular under the reference, the County Assembly of Embu adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the County Assembly Service Board approved and adopted.

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b) Principal Activities

The mandate of the fund is to provide car loans and mortgage to Members of the County Assembly at affordable interest rates in order to facilitate them buy or construct individual residential houses and purchase cars for their use in order to serve their electorate efficiently. The loans are recovered from the member's salaries and allowances within their term of office.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Nyaga Peter Mureithi	Chairman of the Committee
2	Hon. Njiru Paul Muchangi	Member
3.	Hon Nzangi Phillip Kinyutu	Member
4.	Hon. Mbaka John Ngari	Member
5.	Hon. Swaleh Ibrahim	Member
6.	Hon Fred Gatumu	Member
7.	Hon. Munyambu John Itumo	Member
8.	Hon. Githinji Daniel	Member
9.	Hon. Njued Jane Karimi	Member
10.	Hon. Sammy Muturi	Member
11.	Hon. Edwin N. Mureithi	Member
12	Jim G. Kauma	Fund Administrator

d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	Jim G. Kauma
2	Deputy/ Clerk	James Munyi Ileri
3	Fund Committee Clerk	David Githaga Mwangi
4	Director Finance & Accounts	Josiah Muhia Karanja
5	Director Human Resources Management	Moses Mucangi Karagirwa
6	Director Legal Services	Boniface Muthomi
7	Principal Finance Officer	Kamau Wachiuri

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Principal Internal Auditor	CPA Stephen Kisoi
2	CASBE	Hon. Josiah Thiriku (Chairperson)
3	CAE Audit Committee	CS Hellen Mungania (Chairperson)
4	PAC	Hon. Paul Muchangi (Chairperson)

f) Registered Offices

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
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County Assembly of Embu Chambers

Spring Valley Area along James Nyaga Crescent road - Opposite Faith House

P O Box140-60100

EMBU, KENYA

g) Fund Contacts

Telephone: (254) 0682231208

E-mail: countyassemblyofembu@gmail.com

Website: www.embuassembly.go.ke

h) Fund Bankers

1. Family Bank Kenya - Embu Branch

2. Winas Sacco – EMBU

3.

i) Independent Auditors

Auditor General - Office of the Auditor General

Anniversary Towers, University Way

P O Box 30084- GPO 00100

NAIROBI, KENYA

j) Principal Legal Adviser

The Attorney General

State Law Office- Harambee Avenue

P.O. Box 40112 - City Square 00200

NAIROBI, KENYA.





k) County Attorney

The Director, Litigation, Legal Compliance and Legislative Drafting,

County Assembly of Embu

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3. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p>Hon. Peter Nyaga Muriithi.</p>	<p>MCA- Mbeti North Ward.</p> <p>Date of Birth : 1st January 1958</p> <p>Leader of Majority Party</p> <p>Chairman Car loan and Mortgage fund.</p> <p>Vice Chairperson – County Assembly Service Board</p> <p>Chairperson Car Loan and Mortgage Committee</p>
 <p>Hon. Swaleh Ibrahim</p>	<p>MCA- Kirimari Ward</p> <p>Date of Birth: 4th November 1973.</p> <p>Deputy Speaker</p> <p>Chairman Liaison Committee</p> <p>Member Mortgage and car loan fund</p>
 <p>Hon. Njiru Paul Muchangi</p>	<p>MCA – Gaturi North</p> <p>Date of Birth : 12th April 1981</p> <p>Chairperson Public Accounts and Investment Committee</p> <p>Member Mortgage and car loan fund</p>
 <p>Hon. Mbaka John Ngari</p>	<p>MCA – Mavuria Ward</p> <p>Date of Birth: 1st January 1970</p> <p>Leader of Minority Party</p> <p>Member Car loan and Mortgage fund</p>

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	<p>MCA – Gaturi South</p> <p>Date of Birth : 18th September 1983</p> <p>Chairperson Ward Equalization Committee</p> <p>Member Car loan and Mortgage fund</p>
	<p>MCA – Makima Ward</p> <p>Date of Birth 12thDecember 1978</p> <p>Chairperson - Administration Committee</p> <p>Member Speaker’s Panel</p> <p>Member Mortgage and car loan fund</p>
	<p>MCA – Mwea Ward</p> <p>Date of Birth : 31st May 1972</p> <p>Chairperson Health Committee</p> <p>Member Mortgage and car loan fund</p>
	<p>MCA – Nominated</p> <p>Date of Birth 9th December 1988</p> <p>Member Mortgage and car loan fund</p>

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 <p>Hon. Edwin N. Mureithi</p>	<p>MCA - Runyenjes Ward</p> <p>Date Of Birth : 22nd July 1987</p> <p>Chairperson Road, Transport and Public Works</p> <p>Member Car loan and Mortgage fund</p>
 <p>Hon. Njued Jane Karimi</p>	<p>Nominated MCA</p> <p>Date of Birth: 13th May 1978</p> <p>Member Mortgage and car loan fund</p> <p>Member of the Speaker's Panel</p>
 <p>Hon. Harrison Muturi</p>	<p>MCA - Ruguru Ngandori</p> <p>Date of Birth 17th October 1982</p> <p>Member Car loan and Mortgage fund</p>
 <p>Mr Jim G. Kauma</p>	<p>County Assembly Clerk</p> <p>Date of birth: 19th September 1981</p> <p>Master's degree in Public Policy and Administration</p> <p>Fund Administrator</p>

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4. MANAGEMENT TEAM.

Name	Details of qualifications and experience
	<p>Name: Mr. Jim G. Gitonga.</p> <p>Date of Birth: 19th September 1981</p> <p>Designation: County Assembly Clerk</p> <p>Qualification: Master's degree in Public Policy and Administration. Fund administrator.</p>
	<p>Name: Mr. James Munyi Ileri</p> <p>Date of Birth: 7th February 1980</p> <p>Designation: County Assembly Deputy Clerk</p> <p>Qualification: Bachelor of science</p>
	<p>Name: CPA Josiah Muhia Karanja</p> <p>Date of Birth: 1st July 1975</p> <p>Designation: Director financial and accounting services</p> <p>Qualification: B/Comm. CPA(K) CPS (K)</p>
	<p>Name: Mr David Mwangi Githaga</p> <p>Date of Birth: 22nd June 1970</p> <p>Designation: Director Legislative and Procedural and committee Services</p> <p>Qualification: Bachelors of Arts (BA)</p> <p>Fund Committee Clerk</p>

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	<p>Name: Mr. Boniface Muthomi</p> <p>Date of Birth: 10th May 1985</p> <p>Designation: Director, Litigation, legal compliance and Legislative Drafting.</p> <p>Qualification: Bachelor of Laws.</p>
	<p>Name: Mr. Moses Mucangi Karagirwa</p> <p>Date of Birth: 21st August 1967</p> <p>Designation: Director, Director Human Resource Management</p> <p>Qualification: MSC, Human Resource Management.</p>
	<p>Name: CPA. Kamau Wachiuri</p> <p>Date of Birth: 1st May 1972</p> <p>Designation: Principal Finance Officer</p> <p>Qualification: MSc finance and accounting, CPA(K) Fund accountant.</p>

5. BOARD/FUND COMMITTEE CHAIRPERSON'S REPORT

a) Changes in the Fund during the year (in terms of the board or key management team)

The board of trustees has continued to perform its distinct functions to achieve the objectives of the board. In the Financial year under review there were no changes in the management of the fund and also in the key management team.

b) Review of the Fund's performance

The fund performance has been vibrant in the year. All the 31 MCAs and 2 members of the County Assembly Service Board have already received the Car loans and Mortgage and are currently repaying their loans as scheduled.

c) Future outlook of the Fund

Having had the fund run by Family Bank the County assembly has decided to run the fund internally in-order to achieve the following;

- a) Accurate and reliable financial reporting
- b) Quick transparent disbursement of loan
- c) Reduced costs of operational costs of the fund

The fund has a sound financial base and is expected to remain financially viable in future with ploughing back of the interests earned from the disbursed loans to members.

d) A conclusion

The fund has continued to exercise its mandate of ensuring that the MCAs get car and Mortgage loans at affordable interest rates to facilitate them in their legislative, oversight and representation roles. This facilitation has a positive motivation effect on MCAs who have been able to serve the citizen in an efficient way.

It is my hope that the fund we continue to exercise its mandate in future.

SIGN: 

HON. PETER NYAGA MURIITHI

CHAIRMAN - CAR LOAN AND MORTGAGE COMMITTEE

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6. REPORT OF THE FUND ADMINISTRATOR

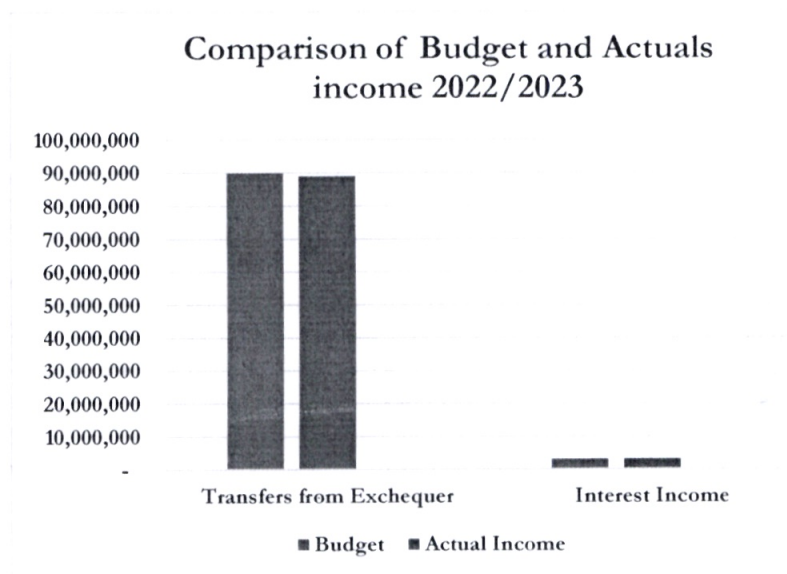
It is my pleasure to present the County Assembly of Embu Mortgage and Car loan Fund financial statements for the 12 months ended 30th June, 2023. The financial statements present the financial performance of the fund over the past twelve months. It's worth noting that the fund started in FY 2013/2014 and has continued disbursing loans to the Members of the County Assembly at very low Annual interest rates of 3% to facilitate them buy cars and construct residential houses.

The budget performance

The fund was established and started with an initial amount of Kshs **165,000,000** which was deposited at Family bank Embu Branch in 2014.

Incomes

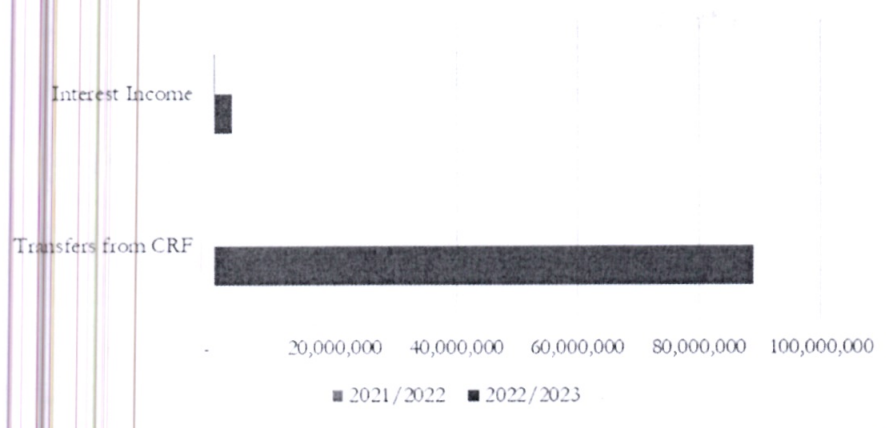
The fund received Kshs 89,000,000 from County Revenue Fund against a budget of Kshs. 90,000,000. The amounts were received in three tranches of Kshs. 35,000,000 in December 2022, Kshs. 35,000,000 in January 2023 and Kshs. 19,000,000 in February 2023. The purpose of these exchequer was to refund money that was spent on Car Grant issued to members of the 2nd Assembly in 2021 which made 97% of the total Revenues. The fund also realized interest income of Kshs 3,190,154 against a budget of Kshs. 3,200,000 which made 3% of the total revenues.



In Comparison with 2022/2023 there was a drastic change especially in the Interest revenue due to the fact that New loans were issued in the year under consideration and hence higher interests were realized from higher loans.

There was also no transfers from CRF in the previous year.

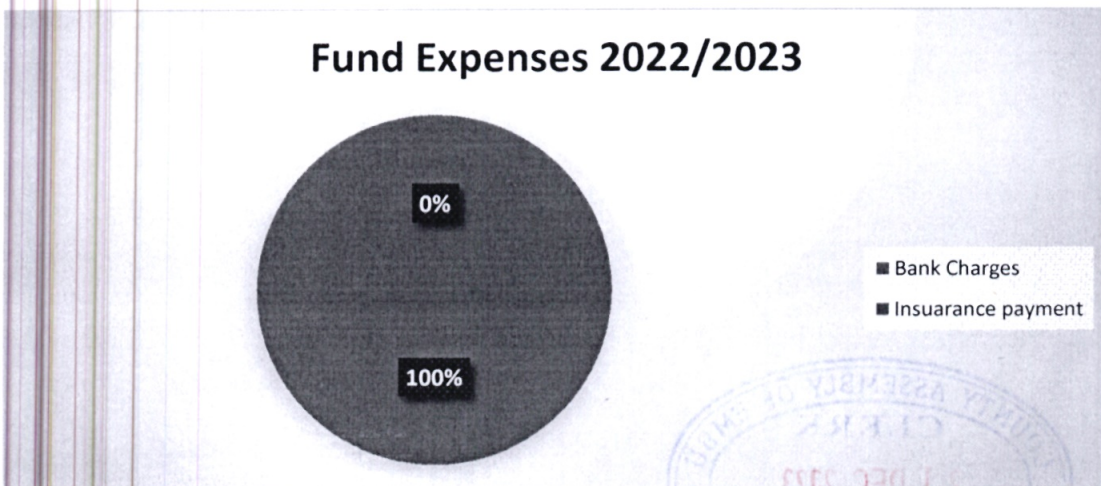
Comparison of Income 2022/23 and 2021/22



Fund Expenses

During the year the Fund had total expenses of Kshs. 3,101,200 against a budget of Kshs. 7,000,000. its worth noting that there were no Committee expenses as earlier anticipated in the budget. The expenses were broken down as follows

- a) Bank Charges - Kshs. 1200
- b) Insurance payments- Kshs 3,100,000



During the period of twelve months ended 30th June 2023, the MCAs serviced their mortgage loans as was scheduled.

The outputs and outcomes

By 30th June 2023, all the Members of the County Assembly of Embu (MCAs) had received their mortgages and continued to service the loans as was scheduled. The provision of these loan facilities at

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a low interest rate has enabled MCAs to move efficiently within the County, live in constructed good homes and hence they are well motivated to effectively perform their roles.

The fund has managed to achieve value for money as members utilized the loans acquired for the intended purposes.

The implementation challenges.

The main challenge faced during implementation of repayment of MCAs mortgages during the period under review was the delayed release of funds by the National Treasury to the County Assembly of Embu which sometimes lead to delay in repayment of members' mortgage loans by one or two installments which is eventually paid later.

In general, the period under review was successful and good progress was made and the momentum has been created to enable County Assembly of Embu Mortgage and Car loan fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent year.

Risk Management Strategies

The Fund just like any other Institutions, faces a myriads of risks in its operations spanning from Non-performing loans, death or incapacitation of members, recalling of individual Members by members of the public among others.

To mitigate on this, the fund has made sure that all loans are insured and ensured that all loans are secured either by collateral or guarantee from other members.

I take this opportunity to thank County Assembly of Embu mortgage and car loan fund committee for their support during the period under review and look forward to working with them in future.

SIGNED: 
JIM G. KAUUMA
FUND ADMINISTRATOR

7. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'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 preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the County Assembly of Embu Mortgage and Car Loan fund are to

- a) Provide cheap Car loans to members to enable purchase of vehicles for to ease their movement at 3% per annum.
- b) Provide Mortgage loan to members at of 3% per annum..

Progress on attainment of Strategic development objectives

The County Assembly has achieved its strategic development objective to provide mortgage and car loans at 3% to all honourable members and the Honorable Speaker. The total amount disbursed initially was Kshs. 165,000,000. This has facilitated members in their Legislative representation and oversight roles as they can easily travel from their Wards to the County Assembly offices and other areas when necessary. This has also motivated the members of the County Assembly to work for improved service delivery to citizens

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loans	To facilitate Members of the County Assembly travel efficiently from the wards to County	Efficient movement of MCAs from the wards to Assembly chambers	100% of the members of the County Assembly have received the loans	In the Financial year 2022/2023 members of the county assembly have continued to repay their car loan until

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Program	Objective	Outcome	Indicator	Performance
	Assembly of Embu			they were converted to car benefits
Mortgages	To support members of the county assembly construct descent houses	Construction of descent houses for the members of the County Assembly	100% of MCAs have now constructed decent houses	All MCAs have utilized the loans as intended and constructed decent homes.

8. CORPORATE GOVERNANCE STATEMENT

The County Assembly of Embu Car & Mortgage Fund scheme is a revolving fund established pursuant to Section 116 of the PFM Act, and the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 and Section 167 of the Public Finance Management (PFM) Act 2012.

Its mandate is to provide mortgage and car loans to MCAs. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

A new committee have been elected to hold office for the term 2022 to 2027 as the regulations.

- **Number of fund administration committee meetings held and the attendance to those meetings by members.**

The attendance of the meeting has been good and the Committee was able to hold 14 meetings as at the 30th June 2023. Almost every member attended the meetings when convened.

- **Succession plan,**

The board of trustee is appointed at the start of every term of new Assembly. The majority leader is an automatic member of Embu county Assembly Service Board (CASBE).

The rest of the board of trustee members are appointed from the MCAs. The key management of staff are drawn from the officers of the County Assembly of Embu who also include the fund administrator, Director legislative, procedural and Committee Services, Director Finance and Accounting services and the fund Accountant.

The current Board will hold office for the period 2022 to 2027 term of the Assembly.

- **Existence of a Board/Trustee Charter,**

Currently the fund has not developed a service charter.

- **Process of appointment and removal of trustees.**

The term of the administration Committee members expires at the expiry of each term of an Assembly i.e. each five (5) year term. A new board of trustee will be appointed during the 2022 to 2027 Assembly term

- **Roles and functions of the Board/Trustees.**

The Board of trustee meet as and when necessary to deliberate on matters as necessary which includes:

-Considerations of application of loans by MCAs

-Ensuring that amounts deducted from members by the assembly are remitted to Winnas Sacco Embu branch as required.

-To perform any other function as guided by the Fund regulations.

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- **Induction and training.**

The Fund committee are usually inducted on their roles, duties and responsibilities at the start of their term in office. However, a continuous training will be necessary in future.

- **Board and member performance,**

The board has performed as is expected and achieved its goals of administering car loan and mortgages to members and ensuring monthly repayments of the loans.

- **Conflict of Interest,**

Board of trustee members are advised to declare interest they may have and that could affect their performance in the board.

- **Board/Trustee Remuneration,**

The fund administration Committee members are paid sitting allowances as per salaries and remuneration commission (SRC) approved rates.

- **Ethics and conduct as well as governance audit.**

The fund has not undertaken any ethics or governance audit in the period under review

9. MANAGEMENT DISCUSSION AND ANALYSIS

a) Operational performance and financial performance

The Committee was able to conduct 14 meetings in the year 2022-2023

A summary of those meetings conducted in the financial year 2022-2023 was as follows'

Date	Main Agenda	Resolution/Remarks
18/08/2022	Report on loan disbursement schedule and allowances of committee members. The Car loan and Mortgage (members) scheme fund budget 2022-2023	Resolutions. Compressive report on car and mortgage. -Members be paid their pending allowances. Car loan and Mortgage (members) scheme Budget 2022-2023 discussed and Approved.
24/09/2022	Operationalization of the car loan and mortgage facility	Members discussed and resolved that MCAs qualify for Kshs 5,000,000 each as car loan and Mortgage facilities.
24/09/2022	Operationalization of the car loan and mortgage facility.	It was resolved that the loans applications form be adopted with amendments.
05/10/2022	Approval and consideration of members loan application	The committee members discussed and resolved that each MCA to be advanced Kshs 3,000,000 and that each member to meet insurance cost of 100,000.s
25/09/2022	Operationalization of the car loan and mortgage facility.	Members resolved that members be issued with approved loan application forms.
25/09/2022	Operationalization of the car loan and mortgage facility. Insurance facility.	It was resolved that the issue of loan that insurance of loan facilities be procured as per the law.
30/09/2022	Operationalization of the car loan and mortgage facility	Resolved that APA insurance insure members on death and permanent disability had been awarded per the procurement law.
04/10/2022	Approval and consideration of members loan application	The committee members discussed and resolved that each MCA to be advanced Kshs 3,000,000 and that each member to meet insurance cost of 100,000.
01/12/2022	Consider and approve members loan balances application	It was resolved that the members be advanced the loan balances and also advance the loan to one of the external CASB member who had applied.

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01/12/2022	Consider and approve members loan balances application	It was resolved that the members be advanced the loan balances
05/01/2023	Confirmation of previous minutes and loan status.	It was reported that members were servicing the loans advanced without any challenges. It was resolved that the deductions continue as scheduled to enable members clear in time It was agreed that the fund manager to ensure prudent management of the fund to avoid any pitfalls along the way.
27/02/2023	Consider loan applications, loan securities and loan status.	After deliberation it was recommended; <ol style="list-style-type: none"> 1. That Ms. Rose Wanjiru Gitiri be requested to complete the revised form. 2. That securities for both applicants be submitted in the next meeting for further discussion. 3. That a report indicating the amounts disbursed per member, repayments done and status of each loan be forwarded in the next meeting for further discussion. 4. That the loan application for Hon. Josiah M Thiriku be submitted in the next meeting. 5. That report on Car Reimbursement be provided in the next meeting.

b) Entity's key projects or investments decision implemented or on-going-

The main activity of the fund is issuing loans to the members of the County Assembly and normally this is done at the start of the members' term. The fund has no any capital project for the time being nor has it made any investment decision on the same.

c) Fund's compliance with statutory requirements,

The fund has fully complied all relevant statutes including PFM Act 2012, the County Assembly of Embu Car loan and Mortgage (Members) Scheme fund regulations and all circulars from SRC. All the statutory matters are dealt with by the Committee of the fund and in the year under consideration there were no material statutory arrears.

d) Major risks facing the fund

There is no major risk facing the fund, all MCAs have been given the loan and are repaying them as scheduled.

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e) Material arrears in statutory and other financial obligations

The fund do not have any arrears in statutory deductions nor any financial obligation outstanding unpaid.

f) Any other information

No issues have arisen in the course of the management of the fund which have been brought to the attention of the management committee

10. ENVIROMENTAL AND SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

To ensure sustainability of the fund the board of trustees jointly with key management staff ensure the mortgage loans are timely issued, repaid and key governance responsibilities are adhered to.

The fund is well funded and is utilized for the purpose intended for i.e. extend Car & mortgage to members.

2. Environmental performance.

The fund has no environmental policy but uses the already existing environmental laws in her operations.

3. Employee welfare

The fund utilizes the staff of the County Assembly for performance of its duties. The welfare, appraisals and rewards are undertaken by county Assembly Service Board (CASB).

4. Market place practices

The fund utilizes the facilities and resources of the County Assembly of Embu.

a) Responsible competition practice.

The County Assembly of Embu Car Loan mortgage Fund ensures responsible competition practices by ensuring any loan application is processed on a first come and first out basis to ensure every application is given fair preference.

The election of Honourable members to the board of trustees is democratically done and involves all members of the County Assembly of Embu.

b) Responsible Supply chain and supplier relations

The fund relies on County Assembly of Embu for all her supply needs.

c) Responsible marketing and advertisement

The fund relies on County Assembly of Embu for all its marketing and advertisement where necessary

d) Product stewardship.

The fund relies on the approved regulations to manage her operations where the member's rights and obligations are well spelt out.

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5. Corporate Social Responsibility / Community Engagements.

Since the fund is still young in terms of the number of years in operation, it has not yet started community engagement

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11. REPORT OF THE TRUSTEES

The Trustees submit their report together with the Financial Statements for the year ended June 30, 2022, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide Car and Mortgage Loans to members of the County Assembly.

Results

The performance of the Fund for the year ended June 30, 2023, are as set out on page 1 to 5

Trustees

There is no change in the membership as indicated from page Roman viii to Roman x. These are the members of the committee that will run the fund until the end of the current term of 5 years.

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. For the year ended 30th June, 2023 the Office of the Auditor General conducted the Audit of the reports and the financial statements of the fund


.....
HON. NYAGA PETER MURIITHI

CHAIR OF THE BOARD / FUND ADMINISTRATION COMMITTEE.


DATE: 24/12/2023
.....

12. 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 pursuant to Section 116 of the Public Finance Management Act and supplemented by SRC Circular No. SRS/TS/WH/3/14 of 14th February 2014.

The Administrator who is the Clerk to the County Assembly is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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. Applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Administrator accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 167 of the Public Finance Management Act (PFMA) and supplemented by SRC Circular No. SRS/TS/WH/3/14 of 14th February 2014.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on.....2023 and signed on its behalf by:



JIM G. KAUMA - 60100, EMBU
FUND ADMINISTRATOR - MORTGAGE AND CAR LOAN FUND

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 the 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

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2023, 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund as at 30 June, 2023, 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 do not comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Adverse Opinion

1. Non-Submission of Financial Statements for Previous Years

As reported in the previous year, the Fund commenced operations in June, 2014. During this period (2014 - 2018), the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund operated as two distinct Funds namely 'Car Loan Fund' and 'Mortgage Scheme Fund' with each Fund having its distinct regulations both enacted in 2014. However, the financial statements of the two Funds for the financial years 2014/2015 to 2017/2018 were not submitted to the Auditor-General contrary to Section 47(1) of the Public Audit Act, 2015, which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

However, in the absence of the previous year's financial statements, the source and accuracy of the opening balances reflected in the financial statements for the year under review could not be confirmed.

In the circumstances, it has not been possible to confirm the source and accuracy of the opening balances for the year under review. In addition, Management was in breach of the law.

2. Unsupported Prior Year Adjustments

The statement of financial position and as disclosed in Note 13 to the financial statements reflects prior year adjustment balance of Kshs.3,335,765 which has not been supported by Journal vouchers explaining the transactions.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

3. Inaccurate and Long Overdue Unremitted Deductions

The statement of financial position and as disclosed in Note 8 to the financial statements reflects current receivables from exchange transactions balance of Kshs.9,538,009 which includes May and June interest receivable and principal repayments of Kshs.804,898 and Kshs.6,491,825 respectively. However, the ledgers reflect May and June interest

receivable and principal repayments of Kshs.796,804 and Kshs.6,145,846 resulting to a total variance of Kshs.354,073 which relate to August, 2022 mortgage deduction which was long overdue and had taken more than 10 months before being remitted to the Fund's bank accounts. This is contrary to Section 19(4) of the Employment Act, 2007 which states that an employer who deducts an amount from an employee's remuneration in accordance with Sub-Section (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be.

In the circumstances, the accuracy of the receivables balance of Kshs.9,538,009 could not be confirmed. In addition, Management was in breach of the law.

4. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects accumulated opening deficit balance as at 01 July, 2022 of Kshs.69,093,736 that differed with the prior year closing balance of Kshs.69,602,028 resulting to unreconciled variance of Kshs.508,292. Further, the accumulated opening balance of Kshs.69,093,736 differed with prior year audited balance of Kshs.70,088,722 resulting to unreconciled variance of Kshs.994,986.

In addition, the statement reflects accumulated surplus closing balance of Kshs.19,487,025 net of surplus for the year of Kshs.89,089,053 out of which Kshs.89,000,000 were in respect of capital fund transfers during the year under review, that have erroneously been reflected as receipts.

In the circumstances, the accuracy and presentation and disclosures in the statement of changes in net assets could not be confirmed.

5. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects increase/decrease in receivables of Kshs.582,616. However, the statement of financial positions reflects current and long-term receivables balance of Kshs.9,538,009 and Kshs.154,636,375 all totalling Kshs.164,174,384 against prior year comparative balance of Kshs.8,955,393 and Kshs.746,059 respectively all totalling Kshs.9,701,452 resulting to an increase of Kshs.154,472,932 that is at variance with statement of cash flows amount resulting to unreconciled variance of Kshs.153,890,316.

Further, the statement of cash flow also reflects comparative amounts that differed with prior year audited amounts as detailed below;

	Financial Statements (Kshs.)	Prior Year Audited Financial Statements (Kshs.)	Variance (Kshs.)
Cash Flow from Operating Activities	6,318	0	6,318
Net Cash Flow from Operating Activities	(5,123,769)	(9,773,975)	4,650,206
Net Cash Flow from Investing Activities	42,937,575	47,819,780	(4,882,205)
Prior Year Adjustments	(231,999)	0	(231,999)

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

6. Overstatement of Insurance Expense Amount

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects use of goods and services amount of Kshs.3,101,200 comprising of insurance cost of Kshs.3,100,000 and bank charges of Kshs.1,200. However, the insurance cost of Kshs.3,100,000 relate to deductions made from the Members of County Assembly. Further, no invoice or policy document was provided for audit. In addition, the award letter and professional opinion tender sum of Kshs.2,542,650 for provision of car loan and mortgage insurance cover is in variance with the financial statement amount resulting to unreconciled variance of Kshs.557,350.

In the circumstances, the accuracy of the insurance expenses of Kshs.3,100,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Embu Car Loan and Mortgage (Members) 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 conclusion.

Emphasis of Matter

Budgetary Performance and Control

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.93,200,000 against actual receipts of Kshs.92,190,253 resulting to receipts short fall of Kshs.1,009,747. Similarly, the statement reflects a final expenditure budget of Kshs.86,200,000 against actual of Kshs.89,089,053 resulting to over expenditure of Kshs.2,889,053.

In the circumstances, the lawfulness of over expenditure of Kshs.2,889,053 could not be confirmed.

Key Audit Matters

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

Other Matter

Previous Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, several issues remained unresolved contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting

Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Defaulted Loans of the Scheme Fund

The statement of financial position and as disclosed in Note 9 to the financial statements reflects long-term receivables from exchange transactions balance of Kshs.154,636,375. However, review of loanee's amortization schedules indicated three members defaulted loan repayments of Kshs.400,150 in the month of October, 2022, November, 2022, April, 2023 and May, 2023. However, no explanation was provided on why it was taking long to institute recovery measures on the defaulted loans.

In the circumstances, recoverability of the outstanding loans is in doubt. In addition, Management was in breach of the law.

2. Uninsured Loans

Note 6 to the financial statements indicates that loans amounting to Kshs.181,000,100 were disbursed to thirty-three (33) members. However, the loan disbursement schedule indicates insurance deductions were made on thirty-one (31) members leaving two (2) loans issued amounting to Kshs.10,000,000 uninsured contrary to Section 16 of the Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2022 which states that a member of the Scheme shall insure the vehicle purchased through the Scheme and also take out and maintain a mortgage protection policy with an insurance firm for the property acquired through the loan from the Fund.

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

3. Irregular Lending to Staff Car Loan and Mortgage

The statement of financial position and as disclosed in Note 8 to the financial statements reflects receivables from exchange transactions balance of Kshs.9,538,009 which includes Staff Car Loan and Mortgage Fund receivable of Kshs.2,000,000 transferred from County Assembly of Embu Car Loan and Mortgage Loan (Members) Scheme Fund

bank account on 23 March, 2023. However, it was noted that the transfer of funds appropriated for County Assembly of Embu Car and Mortgage Loan (Members) Scheme Fund to County Assembly of Embu Car Loan and Mortgage (Staff) Scheme Fund was not approved by the County Treasury contrary to Section 154(1)(a) of the Public Finance Management Act, 2012 which states that an Accounting Officer shall not authorise the transfer of an amount that is appropriated for transfer to another County Government entity or person and Section 47(1)(e) of the Public Finance Management (County Governments) Regulations, 2015 which states that allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes, except with Treasury's approval.

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

4. Lack of Specific Policy on Security Required for Members Car Loan and Mortgage Scheme Fund

Note 6 to the financial statements reflects loans issued to thirty-one (31) Members of County Assembly and two (2) external County Assembly Board Members during the year of Kshs.181,000,100. However, no security was specified by the Members Car Loan and Mortgage Scheme Management Committee contrary to Section 12 of the Public Finance Management (County Assembly of Embu) Car and Mortgage Loan Members) Scheme Fund Regulations, 2022 which states that a loan approved under Regulation 10 shall be released from the Fund in such manner, taking into account the security of the funds, as may be prescribed by the Car Loan and Mortgage Scheme Management Committee.

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

5. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final budget revenue and total payments budget of Kshs.93,200,000 and Kshs.7,000,000 resulting to unbalanced budget by Kshs.86,200,000. This is contrary to Section 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

In the circumstances, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 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 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 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2024

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

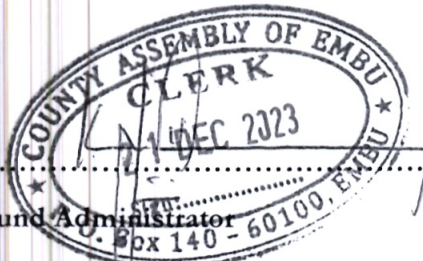
14. Statement of Financial Performance for the Year ended 30th June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
RECEIPTS			
Transfers from CRF	1	89,000,000	
Other Incomes	2		21,086,520
Interest Income	3	3,190,253	565,898
TOTAL RECEIPTS		92,190,253	21,652,418
PAYMENTS			
Use of Goods and Services	4	3,101,200	646,100
Tax on Car Grant	5		21,000,000
TOTAL PAYMENTS		3,101,200	21,646,100
SURPLUS/DEFICIT		89,089,053	6,318

The financial statements were approved on _____ and signed by:

21/12/2023

2023 and



Fund Administrator
Name: Jim G. Kauma

Fund Accountant
Kamau Wachiuri
ICPAK No. 8192

County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023

15. Statement of Financial Position as at 30th June 2023

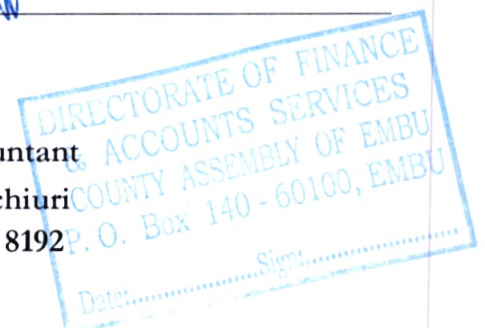
	Note	2022-2023	2021-2022
		Kshs	Kshs
CURRENT ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	24,221,947	87,114,990
Current Portion of receivables from exchange transactions	8	9,538,009	8,955,393
Prepayments			
TOTAL CURRENT ASSETS		33,759,956	96,070,383
NON CURRENT ASSETS			
Long term receivables from exchange transactions	9	154,636,375	746,059
TOTAL NON CURRENT ASSETS		154,636,375	746,059
TOTAL ASSETS		188,396,331	96,816,442
LIABILITIES			
Current Liabilities			
Accounts Payables – Deposits and Retention	10	572,931	1,185,861
Total Liabilities		572,931	1,185,861
Net Assets		187,823,400	95,630,581
REPRESENTED BY			
Revolving Fund	11	165,000,610	165,000,610
Accumulated Surplus/Deficit	12	19,487,025	(69,602,028)
Prior Year Adjustments	13	3,335,765	231,999
NET FINANCIAL POSITION		187,823,400	95,630,581

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 21/12/2023 and signed by:



Fund administrator
Name: Jim G. Kauma

Fund Accountant
Kamau Wachiuri
ICPAK No. 8192



*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs.	Kshs	Kshs
Balance as at 1 st July 2021	165,000,610	-	(69,608,346)	95,392,264
Surplus/(Deficit) for the period		--	6,318	6,318
Balance as at 30 th June 2022	165,000,610	-	(69,602,028)	95,398,582
Balance as at 1 st July 2022	165,000,610		(69,093,736)	95,398,582
Surplus/(deficit) for the period		-	89,089,053	89,089,053
Funds received during the year				
Balance as at 30 th June 2023	165,000,610		19,487,025	184,487,635

County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023

17. Statement of Cash Flows for the year ended 30th June 2023

		2022-2023	2021-2022
		Kshs	Kshs
Receipts from operating income	NOTE		
Transfer from CRF	1	89,000,000	0
Interest Income Received	3	3,190,253	
Other Income			13,291,120
Total Receipts		92,190,253	13,291,120
Payments			
Family bank Expenses		0	1,734,473
Committee Allowances		0	330,500
Tax on Car Grant		0	21,000,000
Use of Goods and Services	4	3,101,200	0
Bank Charges		0	122
Total Payments		3,101,200	23,065,095
Cashflows from Operating activities		89,089,053	6,318
Adjusted for:			
Increase/decrease in Receivables	8	582,616	0
Increase/(Decrease) in Payables	9	(612,930)	0
Net Cashflows from operating Activities		87,897,274	(5,123,769)
CASHFLOW FROM INVESTING ACTIVITIES			
Disbursed Loans		(177,900,000)	
Proceeds from Loan Principal Repayments		27,113,451	47,819,780
Net cash flows from Investing Activities		(150,786,549)	42,937,575
CASHFLOWS FROM FINANCING ACTIVITIES,			
Refunds of Car Grant			
Net Cashflows from financing activities			-
Prior Year adjustments			(231,999)
NET INCREASE (DECREASE) IN CASH		(62,893,042)	38,045,805
Cash and cash equivalent at BEGINNING of the year		87,114,989	49,069,184
Cash and cash equivalent at END of the year		24,221,947	87,114,989

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 21/12/2023 and signed by:

Fund administrator..

Name: Jim G. Kauma

Fund Accountant

Kamau Wachiuri
ICPAK No. 8192

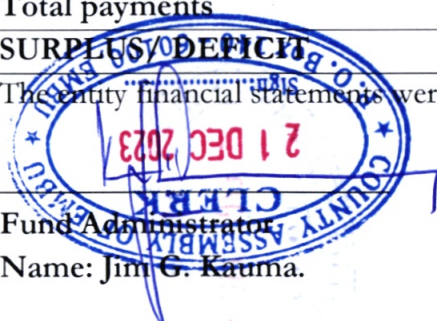
County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023

18. Statement of Comparison of Budget and Actual Amounts for the period

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilization
	2023	2023	2023	2023	2023	2023
Revenue	KShs	KShs	KShs	KShs	Kshs	KShs
Transfers from the County	90,000,000		90,000,000	89,000,000	1,000,000	99
Interest Income	3,200,000		3,200,000	3,190,253	9,747	100
Other Receipts (Funds in Bank)						
TOTAL	93,200,000	-	93,200,000	92,190,253	1,009,747	99
PAYMENTS			-		-	
Fund Administration Expenses	3,500,000		3,500,000		3,500,000	-
General Expenses	3,500,000		3,500,000	3,101,200	398,800	89
Transfer to other Government Entities						
Total payments	7,000,000	-	7,000,000	3,101,200	3,898,800	44
SURPLUS/DEFICIT	86,200,000	-	86,200,000	89,089,053	-2,889,053	103

The entity financial statements were approved on 21/12 2023 and signed by:

Fund Administrator
Name: Jim G. Kauma.



Fund Accountant
Kamau
ICPAK No. 8192



**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023**

19. Notes to Financial Statements

1. General Information

The county assembly of Embu car loan and mortgage scheme is established by and derives its authority and accountability from Section 116 of the PFM Act 2012 and the County Assembly of Embu Car Loan and Mortgage (Members) scheme Regulations. The scheme is wholly owned by the County Assembly of Embu and is domiciled in Kenya. The schemes principal activity is lending Car loans and Mortgages to members of the County Assembly of Embu to facilitate them deliver on their mandates.

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 2023

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

Standard	Effective date and impact
	<ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 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>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>

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023**

Standard	Effective date and impact:
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></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> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st 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.

4 SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

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 2022-2023 was approved by the County Assembly on July 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 zero amounts on the FY 2022-2023 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 actual as per the statement of financial performance has been presented under section 17 of these financial statements.

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

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.

e) 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.

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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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.

f) 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.

g) 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.

***County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023***

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.

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.

h) 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.*

i) 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.

j) 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

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023**

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.

k) 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.

l) 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.

m) Related parties

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term debt investments with an original maturity of three months or less, which are known amounts of cash and are subject to insignificant risk of changes in value. They include amounts held at the Central Bank of Kenya and at various commercial banks for the financial year. For the purposes of these financial statements, cash and ca

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***County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023***

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.

o) Comparative figures

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

Events after the reporting period

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

p) Ultimate and Holding Entity

The Mortgage and Car loan fund is a County Public Fund established pursuant to section 16 of the PFM Act 2012 under the County Assembly of Embu. Its ultimate parent is the County Government of Embu.

q) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the County Assembly of Embu 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.

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 County Assembly of Embu makes its assumptions and estimates on parameters available when the consolidated financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Assembly. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023**

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 Embu County Assembly.
- 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. 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. In the Financial year ending 30th June 2022 the Assembly made no provisions.

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

5. Notes to the Financial Statements

1. Transfer from County Government			
Description		2022-2023	2021-2022
		Kshs	Kshs
Fund opening Balance			
Transfers from National		89,000,000	
Total		89,000,000	-

2. Other Incomes			
Description		2022-2023	2021-2022
		Kshs	Kshs
September	Tax Recovery		5,250,000
December	Tax Recovery		1,700,000
February	Tax Recovery		4,641,120
June	Tax Recovery		1,700,000
	Tax Recovery		7,795,400
	Members KRA		
	Tablet Recovery		
Sub Total			21,086,520

3. Interest Income			
Description		2022-2023	2021-2022
		Kshs	Kshs
Jul	Interest Income	1,865	99,715
Aug	Interest Income	985	90,115
Sep	Interest Income	102	80,491
Oct	Interest Income	235,102	70,842
Nov	Interest Income	227,875	61,170
Dec	Interest Income	318,129	50,659
Jan	Interest Income	396,110	40,936
Feb	Interest Income	388,311	31,189
Mar	Interest Income	416,223	21,417
Apr	Interest Income	409,205	11,621
May	Interest Income	401,957	4,697
Jun	Interest Income	394,390	3,048
Total		3,190,253	565,898

4. Use of Goods and Services			
Description		2022-2023	2021-2022
		Kshs	Kshs
Jul	Management Expenses		66,477
Aug	Management Expenses		60,077
Sep	Management Expenses		53,660
Oct	Management Expenses		47,228
Nov	Management Expenses		40,780
Dec	Management Expenses		33,772

***County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023***

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l) Borrowing costs

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m) 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.

n) 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

***County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023***

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.

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*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
Annual Report and Financial Statement for year ended 30th June, 2023*

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5. Notes to the Financial Statements

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		Kshs	Kshs
	Fund opening Balance		
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	Total	89,000,000	-

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	Members KRA		
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Nov	Management Expenses		40,780
Dec	Management Expenses		33,772

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
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Jan	Management Expenses		27,290
Feb	Management Expenses		20,792
Mar	Management Expenses		14,278
Apr	Management Expenses		7,747
May	Management Expenses		3,131
Jun	Management Expenses		2,032
Jul	Committee Allowances		33,238
Aug	Committee Allowances		30,038
Sep	Committee Allowances		26,830
Oct	Committee Allowances		23,614
Nov	Committee Allowances		20,390
Dec	Committee Allowances		16,886
Jan	Committee Allowances		13,645
Feb	Committee Allowances		10,396
Mar	Committee Allowances		7,139
Apr	Committee Allowances		3,874
May	Committee Allowances		1,566
Jun	Committee Allowances		1,016
Jul	Ledger fees		7,920
Aug	Ledger fees		7,920
Sep	Ledger fees		7,920
Oct	Ledger fees		7,920
Nov	Ledger fees		7,920
Dec	Ledger fees		7,920
Jan	Ledger fees		7,920
Feb	Ledger fees		7,920
Mar	Ledger fees		7,920
Apr	Ledger fees		7,920
May	Ledger fees		660
Jun	Ledger fees		220
4th October 2022	Bank Charges on transfer		122
	Bank Charges	1,200	
	Insurance cost	3,100,000	
Total		3,101,200	646,100

5. Tax on Car Grant

Description		2022-2023	2021-2022
		Kshs	Kshs
4th October 2021	Transfer to KRA		21,000,000
	Total		21,000,000

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund
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6. Loans Issued			
	Description	2022-2023	2021-2022
		Kshs	Kshs
	Augustin James Njeru	5,000,000	
	Gakungugu Agnes Wanjiru	5,000,000	
	Gatumu Fredrick Mugendi	5,000,000	
	Githinji Daniel Ng'ang'a	5,000,000	
	Githumbu Samuel Njeru	5,000,000	
	Jimiah Jennifer	5,000,000	
	Josiah Mureithi Thiriku	24,040,763	
	Kanyua Barbanas Njama	5,000,000	
	Karuri Julius Njagi	5,000,000	
	Kavinda Mary Igoki	5,000,000	
	Kithinji Maurice Macharia	5,000,000	
	Kiura Murithi Njagi	5,000,000	
	Mati Yvone Karambu	5,000,000	
	Mbaka John Ngari	5,000,000	
	Mbuchi Terry C Wanja	5,000,000	
	Mbui Duncan Ileri	5,000,000	
	Munyambu Job Itumo	5,000,000	
	Muriuki Masters Leonard	3,000,000	
	Muthoni Susan Mwendu	5,000,000	
	Muturi Harrison Sammy	5,000,000	
	Ndwiga Newton Kariuki	4,000,000	
	Njiru Anne Lily	5,000,000	
	Njiru Edwin Muriithi	5,000,000	
	Njiru Paul Muchangi	5,000,000	
	Njue Jane Karimi	5,000,000	
	Njuki Johnson Mucangi	5,000,000	
	Nyaga Maureen Kagendo	5,000,000	
	Nyaga Peter Muriithi	5,000,000	
	Nyaga Susan Wairimu	5,000,000	
	Nzangi Philip Kinyutu	5,000,000	
	Swaleh Ibrahim	5,000,000	
	Rose Wanjiru Gitari	5,000,000	
	Samuel Musau Muema	5,000,000	
		181,040,763	-
	Less loans balance from previous period	40,663	
		181,000,100	-

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7. Cash and Cash Equivalents			
Name of Bank, Account Number			
Description		2022-2023	2021-2022
		Kshs	Kshs
Car and Mortgage Family Bank Acc - 075000028013		3,222,805	87,104,952
CAE Interest Family Bank Acc - 075000042338		105,982	10,038
CAE Car loan and mortgage Winas Sacco - 51100013001		20,893,160	
Total		24,221,947	87,114,990

8. Receivables from Exchange Transactions			
Description		2022-2023	2021-2022
		Kshs	Kshs
May Remittances			683,609
June Remittance			476,384
Unrecovered Tax			7,795,400
May and June Interest Receivable		804,898	
May and June Principal Loan Repayments		6,491,825	
Staff Car Loan and Mortgage Fund		2,000,000	
Overpaid Management fees		241,286	
Total		9,538,009	8,955,393

9. Long Term Receivables from Exchange Transactions			
A Outstanding Loans			
Description		2022-2023	2021-2022
		Kshs	Kshs
Augustin James Njeru		4,216,824	
Gakungugu Agnes Wanjiru		4,215,342	
Gatumu Fredrick Mugendi		4,215,342	
Githinji Daniel Ng'ang'a		4,215,342	
Githumbu Samuel Njeru		4,215,342	
Jimiah Jennifer		4,215,342	
Josiah Mureithi Thiriku		21,001,893	746,059
Kanyua Barbanas Njama		4,215,342	
Karuri Julius Njagi		4,215,342	
Kavinda Mary Igoki		4,215,342	
Kithinji Maurice Macharia		4,215,342	
Kiura Murithi Njagi		4,215,342	
Mati Yvone Karambu		4,215,342	
Mbaka John Ngari		4,215,342	
Mbuchi Terry C Wanja		4,215,342	
Mbui Duncan Ireri		4,215,342	
Munyambu Job Itumo		4,215,342	

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Muriuki Masters Leonard		2,536,838	
Muthoni Susan Mwendu		4,215,342	
Muturi Harrison Sammy		4,215,342	
Ndwiga Newton Kariuki		3,377,359	
Njiru Anne Lily		4,215,342	
Njiru Edwin Muriithi		4,215,342	
Njiru Paul Muchangi		4,215,342	
Njue Jane Karimi		4,215,342	
Njuki Johnson Mucangi		4,215,342	
Nyaga Maureen Kagendo		4,215,342	
Nyaga Peter Muriithi		4,215,342	
Nyaga Susan Wairimu		4,215,342	
Nzangi Philip Kinyutu		4,215,342	
Swaleh Ibrahim		4,215,342	
Rose Wanjiru Gitari		4,844,613	
Samuel Musau Muema		4,844,613	
	Total	154,636,375	746,059

10. Accounts Payables

Description		2022-2023	2021-2022
		Kshs	Kshs
Accrued Management fees			5,163
Accrued Ledger Fees			880
Accrued Committee		2,581	2,581
Overpaid Loans			1,177,237
CRF - Tablet Recovery		13,000	
Accrued Insurance		557,350	
Total		572,931	1,185,861

11. Revolving Fund

Description		2022-2023	2021-2022
		Kshs	Kshs
Balance		165,000,610	165,487,303
			(486,693)
30th June 2023	Balance C/d	165,000,610	165,000,610

12. Accumulated Surplus

Description		2022-2023	2021-2022
		Kshs	Kshs
Surplus 2019			830,530

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Deficit 2020		(343,837)
Deficit for the year 2021		(70,095,039)
Surplus 2022		6,318
Accumulated Surplus/(Deficit) C/d 30th June 2022		(69,602,028)
Surplus 2023		89,089,053
Accumulated Surplus/(Deficit) C/d 30th June 2023		19,487,025

13. Prior year Adjustments

Description	2022-2023	2021-2022
	Kshs	Kshs
Revolving Fund		
Balance as at 30/06 /2021		165,487,303
Initial Revolving Fund as at 30th June 2019		165,000,610
Adjustment		486,693
Add;		
Reported Prepayments June 2020		238,490
Actual Prepayments 30th June 2020		356,095
		(117,605)
Suspense Account 2019		(137,089)
	Total	231,999
Suspense Account 2022-2023	3,335,765	

14. Related party Balances

A. Related party transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer from County Govt.	89,000,000	00
		00
30th June 2023	Balance C/d	89,000,000

B. Due From Related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due from Staff fund	2,000,000	00
		00
30th June 2023	Balance C/d	2,000,000

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20. Progress on Follow up of the 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.

Ref No	Issue/Observation From The Auditor	Management Responses
1.	<p>Non-Submission of Financial Statements for Previous Years</p> <p>As reported in the previous year, the Fund commenced operations in June, 2014. During this period (2014 - 2018), the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund operated as two distinct Funds namely 'Car Loan Fund' and 'Mortgage Scheme Fund' with each Fund having its distinct regulations both enacted in 2014. However, the financial statements of the two Funds for the financial years 2014/2015 to 2017/2018 were not submitted to the Auditor-General contrary to Section 47(1) of the Public Audit Act, 2015, which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.</p> <p>In the circumstances, it has not been possible to confirm the source and accuracy of the opening balances for the year under review.</p>	<p>The Car loan and mortgage (members) fund management committee plans to prepare and submit the pending financial statements as per the auditor's recommendation.</p>
2.	<p>Unbalanced Statement of Financial Position</p> <p>The statement of financial position as at 30 June, 2022 reflects a balance of Kshs.95, 630,580 in respect to net assets and net financial position. However, a recast of the net financial position gives Kshs.95, 166,402 resulting to a variance of Kshs.464, 178 which was not explained. Further, the net financial balance of Kshs.95, 630,580 differs with the total equity balance of Kshs. 165,493,263</p>	<p>The correct position as at 30 June 2022 is Ksh.95, 630,580. The different recast figure was due to an error in the initial posted figures which has since been corrected.</p>

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	reflected in statement of changes in net assets resulting to un explained variance of Kshs.69, 862,683.	See revised statement of financial position s well as the revised statement of changes in net assets for the period under review.
	In the circumstances, the accuracy and completeness of the balances in the statement of financial position could not be confirmed.	
3.	<p>Inaccurate Revolving Fund</p> <p>The statement of financial position and as disclosed in Note 12 to the financial statements reflects revolving fund balance of Kshs.165, 000,610 which differs with statement of changes in net asset balance of Kshs. 165,487,304 resulting to unexplained variance of Kshs.486, 694. Further, Note 12 to the financial statements on revolving fund reflects unsupported prior year adjustments of Kshs.486, 693 which was not supported with a journal, narration and supporting documents.</p> <p>In the circumstances, the accuracy of the revolving fund balance could not be confirmed.</p>	<p>The revolving fund amount of Ksh.165,000,610 was erroneously carried from the FY 2021/2022 to FY 2022/2023 as Ksh.165,487,304 which represents the total net assets; Ksh.486,694 being the accumulated surplus as at 1st July 2020</p> <p>Refer to the statement of changes in net assets FY2021/2022</p>
4.	<p>Inaccurate Accumulated Deficit</p> <p>The statement of financial position and as disclosed in Note 13 to the financial statements reflects accumulated deficit of Kshs.69,602,209 which differs with accumulated surplus of Kshs.6,318 reflected in statement of changes in net assets resulting to unexplained variance of Kshs.69,608,527.</p>	<p>This resulted from an arithmetic error. The actual figure is Ksh.69, 602,028 which is gotten after adjusting (- /69,608,346+6318). It was initially omitted.</p>

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	In the circumstances, the accuracy of accumulated deficit could not be confirmed.	
5.	<p>Unsupported Prior Year Adjustment</p> <p>The statement of financial position and as disclosed in Note 14 to the financial statements reflects prior year adjustments of Kshs.231,999 which includes adjustment of Kshs.486,693, suspense account of Kshs. 137,089 and differences in June, 2020 prepayments of Kshs.117,605 which were not supported with journal entries, narrations and supporting source documents.</p> <p>In the circumstances, the accuracy of the prior year adjustments balance of Kshs.231,999 could not be confirmed.</p>	<p>The amount of Ksh.231, 999 is the net adjustment value carried to the financial statement. (486,693-137,089-117,605).</p> <p>137,089 is the difference between actual and reported prepayment in the FY 2019/2020.</p> <p>Ksh.137 was the amount in the suspense account in 2019.</p> <p>Ksh.486, 693 is the accumulated surplus as at 30 June 2020.</p>
6.	<p>Inaccurate Statement of Changes in Net Assets</p> <p>The statement of changes in net assets reflects accumulated surplus balance as at 30 June, 2022 of Kshs.6,318 while the recomputed balance amount to accumulated deficit of Kshs.70,088,722 resulting to a variance of Kshs.70,095,040.</p> <p>In the circumstances, accuracy of the statement of changes in net assets could not be confirmed.</p>	<p>The variance represents the deficit for the FY 2020/2021</p> <p>Ksh.6, 318 Represents the surplus for the FY 2021/2022.</p> <p>The accumulated surplus of 6,318 stated as at 30th June 2022 was erroneous, and has been corrected.</p>

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7.	<p>Inaccurate and Unsupported Balances in the Statement of Cash Flows</p> <p>The statement of cash flows includes receipts from operating activities of Kshs.13, 291,120, fund administration expense of Kshs.1, 734,473, committee expenses of Kshs.330, 500 and proceeds from principal loan repayments of Kshs.47, 819,873 which were not supported.</p> <p>Further, the following inaccuracies relating to the balances reflected in statement of cash flows were also noted:</p> <p>i) Unsupported Differences in Proceeds from Principal Loan Repayments</p> <p>The statement of cash flows reflects proceeds from loan principal repayments of Kshs.47, 819,780 which differs with Annex 2 and Annex 3 to the Management response which reflects principal repayment of Kshs.40, 320,479 resulting to a difference of Kshs.7, 499,301.</p>	<p>The values as initially stated (Ksh.13, 291,120, 1,734,473, 330,500 and 47,819,873) were erroneously pasted in the word document.</p> <p>However, the same has been corrected through the revised statement of cashflows.</p> <p>The actual principal loan repayment is Ksh.42,937,575 i.e (43,683,644-746,059) as per the workings in Note.10</p>
	<p>ii) Unsupported Differences in Receipts from Other Operating Activities</p> <p>The statement reflects receipts from other operating activities of Kshs. 13,291,120 while the statement of financial performance reflects total receipts of Kshs.21, 652,418 resulting to a difference of Kshs.8, 361,298.</p>	<p>The actual receipts from operating activities is Ksh.21, 652,413. The amount in the cashflow statement (Ksh.13, 291,120) was erroneous and has been corrected.</p>
	<p>iii) Unsupported Differences in Fund Administration Expenses</p> <p>The statement reflects fund administration expenses amount of Kshs.1,734,473. The accrued management fees brought forward was Kshs. 1,429,415 and the</p>	<p>The fund administration expenses of Ksh.1,734,473 was erroneously casted in the word document and has now been corrected to Ksh.377,266 under Note.4</p>

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	<p>expense for the year was Kshs.377,266 while Kshs.1,734,473 was paid resulting to a balance carried down of Kshs.72,208 which differs with accrued management fees of Kshs.5,163 reflected in Note 11 to the financial statements by Kshs.67,045.</p> <p>In the circumstances, the accuracy of the statement of cash flows could not be confirmed.</p>	
8.	<p>Unsupported Original and Final Budget Balances and Lack of Approved 2021/2022 Budget</p> <p>The statement of comparison of budget and actual amounts reflects total original and final budgeted receipts and expenditure of Kshs.21,652,418 which were not supported with approved budget. This is contrary to Section 129(3) and (4) of the Public Finance Management Act, 2012 which states that each County Assembly Clerk shall prepare and submit to the County Assembly the budget estimates for the County Assembly and a copy shall be submitted to the County Executive Committee Member for Finance and that County Executive Committee Member for Finance shall prepare and present his or her comments on the budget estimates presented by the County Assembly Clerk.</p> <p>In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.</p>	<p>The supporting ledgers are available in note 2 and note 3 i.e. (21,086,520 + 565,898)</p>
9.	<p>Unsupported Other Income</p> <p>The statement of financial performance and as disclosed in Note 2 to the financial</p>	<p>The supporting ledgers are available in note 2 and note 3 i.e. (21,086,520 + 565,898)</p>

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	statements reflects other income of Kshs.21,086,520 which was not supported.	
	In the circumstances, the accuracy and completeness of other income of Kshs.21,086,520 could not be confirmed.	
10.	<p>Inaccuracy in the Current Receivable</p> <p>The statement of financial position and as disclosed in Note 9 to the financial statements reflects current receivable balance of Kshs.8,955,393 which further includes adjustment of Kshs.594,620 that was not supported.</p> <p>Further, Note 9 to the financial statements reflects June, 2022 remittance of Kshs.476,384 but the IPPD by product provided reflects Kshs.565,373 resulting to unreconciled variance of Kshs. 118,236.</p> <p>In the circumstances, the accuracy and completeness of current receivable balance of Kshs.8,955,393 could not be confirmed.</p>	The figure Ksh.8,955,393 was correctly indicated as per the listing in Note.10 of the financial year 2021-2022
11.	<p>Unsupported Long-Term Receivable</p> <p>The statement of financial position and as disclosed in Note 10 to the financial statements reflects long term receivables from exchange transactions balance of Kshs.746,059 which was not supported.</p> <p>Further, the long-term receivables decreased by Kshs.42,937,535 from Kshs.43,683,644 reflected in 2020/2021 financial statements. However, the decrease of Kshs.42,937,585 varies with proceeds from principal loan repayments of Kshs.47,819,780 reflected in statement of cash flows resulting to unreconciled</p>	<p>The actual principal loan repayment is Ksh.42,937,585 as opposed to Kshs.47,819,780 which was an earlier mis casting in the financial statements.</p> <p>However, the same has been reviewed and corrected as per note 10.</p>

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	<p>difference of Kshs.4,882,195.</p> <p>In the circumstances, the accuracy and completeness of long-term receivables from exchange transaction balance of Kshs.746,059 could not be confirmed.</p>	
12.	<p>Unsupported Accounts Payables</p> <p>The statement of financial position and as disclosed in Note 11 to the financial statements reflects accounts payable - deposit and retention balance of Kshs.1,185,861 which includes accrued Management fees of Kshs.5,163 which was not supported with ledgers, invoices, committee meeting attendance registers and schedules of unpaid allowances.</p> <p>In the circumstances, the accuracy and completeness of the balance of Kshs.1,185,861 could not be confirmed.</p>	<p>The amount of Ksh.5,163 was the amount owed to Family Bank as at 30th June 2022.</p>
13.	<p>Exceeding Membership of Car Loan and Mortgage Scheme Management Committee</p> <p>The report of Fund Administration Committee attached to the financial statements for the year ended 30 June, 2022 indicates that the Committee had 12 members contrary to Section 6(2) of Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2019 which provides the maximum number of committee members as ten (10). No authority was provided for having the additional two members of the Committee.</p> <p>The appointing Authority was therefore in breach of the law.</p>	<p>The auditor's recommendations have been noted and necessary corrective action will be taken.</p>

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14.	<p>Previous Year Audit Issues</p> <p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, some issues remained unresolved contrary to Section 149(2)(1) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.</p>	<p>The auditor's recommendations have been noted and necessary corrective action have already been initiated as shown in the revised financial statements.</p>
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COUNTY ASSEMBLY OF EMBU
 CLERK
 21 DEC 2023
 Sign:.....
 P.O. Box 140 - 60100, EMBU

Jim G. Kamira
Clerk to the County Assembly