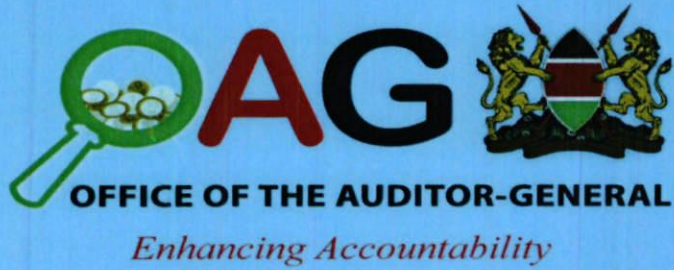


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**REPORT**

**THE AUDITOR-GENERAL**

**ON**

PAPERS LAID	
DATE	28.9.2021
TABLED BY	Sen. Maj Leader
COMMITTEE	—
CLERK AT THE TABLE	M. Adjuwon

**KIAMBU COUNTY ASSEMBLY  
CAR LOAN AND MORTGAGE  
SCHEME FUND**

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

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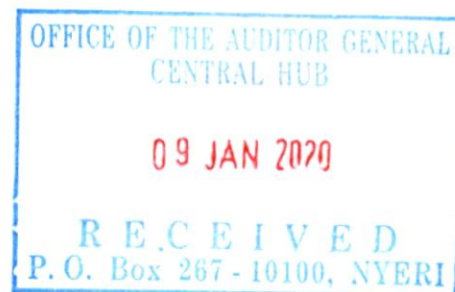
**COUNTY GOVERNMENT OF KIAMBU.  
THE KIAMBU COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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





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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Kiambu County Assembly Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management Act the Kiambu County Assembly Car Loan and Mortgage Scheme Fund regulations 2014. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The fund's objective is to provide Car Loan and Mortgage to Members of County Assembly to purchase, develop, renovate or repair a residential property.

### b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide mortgage To Members of County Assembly to purchase, develop, renovate or repair a residential property.

### c) Fiduciary management

The key management personnel who held office during the year ended 30<sup>th</sup> June 2019 and who had fiduciary responsibilities were:

REF	NAME	POSITION
1.	Hon. Stephen R. N Ndichu	Chairman, Loans Committee
2.	Hon. John Ngugi, MCA	Member, Loans Committee
3.	Rev. Fr. Evangelos Mwaura Thiani	Member, Loans Committee
4.	Ms. Josephine Wanjiru Gicho	Member, Loans Committee
5.	Hon. Margaret Wahu, MCA	Member, Loans Committee
6.	Mr. Joseph Igogo Ndirangu	Fund Administrator/Secretary



**d) Registered Offices**

Kiambu County Assembly Buildings

P.O. Box 1492-00900  
Kiambu, Kenya

**e) Fund Contacts**

Telephone: (254) 0675860000  
E-mail: [info@kiambuassembly.go.ke](mailto:info@kiambuassembly.go.ke)  
Website: [www.kiambuassembly.go.ke](http://www.kiambuassembly.go.ke)

**f) Fund Bankers**

Family Bank  
P.o.Box 74145-00200  
Muindi Bingu Street  
Thika Branch, Kenya

**g) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.o.Box 30084  
GOP 00100  
Nairobi, Kenya

**h) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.o. Box 40112  
City Square 00200  
Nairobi, Kenya

## 2. MANAGEMENT TEAM

The key management team who held office during the year ended 30th June 2019 and who had management responsibilities were:

Name	POSITION
1. Hon. Stephen R. N Ndichu	<p>Chairman, Loans Committee .</p> <p>Hon.Stephen R. N Ndichu was appointed the Speaker of the County Assembly of Kiambu on 17th September, 2017. He holds a Bachelor of Law from the University of Nairobi and Mount Kenya University. He is the chairman of the County Assembly Service Board of Kiambu.</p>
2. Hon. John Ngugi,MCA	<p>Member, Loans Committee.</p> <p>Hon. John Ngugi was appointed as Member of the County Assembly of Kiambu on 7<sup>th</sup> September, 2017. He holds a Certificate On County Governance, Diploma In County Governance, and Bachelor Of Degree In Governance And Master In Governance From Jomo Kenyatta University. He Is Currently Pursuing a Ph.D. From Jomo Kenyatta University.</p>
3. Rev. Fr. Evangelos Evanson Mwaura Thiani	<p>Member, Loans Committee.</p> <p>Rev. Fr. Evangelos Evanson Mwaura Thiani was appointed as Member of the County Assembly Of Kiambu Service Board on 8<sup>th</sup> December, 2017. He holds a diploma in theology from orthodox seminary ,Nairobi Bachelor Of Theology From Sydney College Of Divinity ,Post Graduate Diploma In Education From Daystar University</p>



	,Master Of Divinity From Hellen College Holy Cross ,Boston ,USA And Master Of Theology From Hellen College Holy Cross ,Boston ,USA .
4. Ms. Josephine Wanjiru Gicho	Member, Loans Committee. Ms. Josephine Wanjiru Gicho was appointed as Member of the County Assembly Service Board of Kiambu on 29 <sup>th</sup> May, 2018. She holds a bachelor of arts in counselling and psychology from Presbyterian University Of East Africa .Before her appointments she served as a high school principal.
5. Hon. Margaret Wahu, MCA	Member, Loans Committee. Hon. Margaret Wahu, was appointed as Member of the County Assembly and Member Of County Assembly Service Board of Kiambu on 7 <sup>th</sup> September 2017 and march 2018. She holds a Certificate In Counselling From Nazareth And Diploma In Social Work County Developments From Nairobi Institute Of Business Studies
6. Mr. Joseph Igogo Ndirangu	Fund Administrator/Secretary. Mr. Joseph Igogo Ndirangu was appointed as the Clerk of the County Assembly of Kiambu on 10th July, 2018.He is the fund administrator of the fund.Before his appointment he served in the Parliamentary Service Commission.

### **3. BOARD/FUND CHAIRPERSON'S REPORT**

It is my pleasure to present, on behalf of the board of the Board, the Car Loan and Mortgage fund financial statements for the year ended 30th June 2019. The financial statements present the financial performance of the fund over the past year.

The County Assembly of Kiambu established and enacted Kiambu County Assembly Car Loan and Mortgage Scheme Fund guided and authorised by the Public Finance Management Act, Regulations 2014.

The objective and purpose of the fund is to provide loans to Members of County Assembly to enable them purchase, develop, renovate or repair a residential property and purchase of motor vehicles.

The County Assembly of Kiambu has successfully granted Car Loan and Mortgage to 83 and 73 members respectively. This translate to 87.4% and 77% of total membership of 95 who have successfully applied and adhered to the loan regulations.

Proper and adequate financial systems and measures have been put in place to ensure efficient control that warrants recoveries are done promptly through the check off system to safeguard the utilisation of public resources.

It is remarkable how much we have accomplished not only in terms of financial performance (Members Car Loan and Mortgage) but in our steadfast dedications to aid our Members of County Assembly. Albeit, 9% have been granted the mortgage loan the management is taking the initiative to sensitise the Members of County Assembly on the regulations and the benefits of the Car Loan and Mortgage.

Special thanks to the County Assembly Service Board and the support of staff for the continued support.

I look forward to your continued support in the year 2019/2020.

Hon. Stephen R. N Ndichu



#### 4. REPORT OF THE FUND ADMINISTRATOR

The Car and Mortgage Loan Scheme Fund was established pursuant to Salaries and Remuneration Commission circular No.SRC/TS/WB/314 of February 2014.

For good management of the fund as advised by Salaries and Remuneration Commission. The County Assembly of Kiambu adopted Public Finance Management the Kiambu County Assembly Car Loan and Mortgage Scheme Fund regulations 2014 to guide operationalization of fund.

The fund objective is to provide Car Loan and Mortgage to Members of County Assembly to purchase, develop, renovate, and or repair a residential property as well as procure motor vehicle subject to provision of the Public Finance Management Act 2012.

The Loan Management Committee initiated a transformation that is bringing positive results to the Members of County Assembly of Kiambu by extending the car and mortgage facilities to the Honourable Members.

We have advanced car loan to 1(One) Honourable Member representing 1% of total membership while 55(Fifty Five) honourable members have benefited from mortgage loan representing 72% of total membership for the Financial Year 2018/2019. It should be noted that this has been achieved while complying with the prerequisites procedures laid down laws and regulations.

This has been another successful year, we continue to grow and have our members at heart of everything we do.



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Clerk – County Assembly of Kiambu

## **5. CORPORATE GOVERNANCE STATEMENT**

The Car and Mortgage Loan Scheme Fund was established pursuant to Salaries and Remuneration Commission circular No.SRC/TS/WB/314 of February 2014.

There is an established a Mortgage Loan Management Committee which consist of the County Assembly Service Board Members . A statement of the County Assembly of Kiambu full corporate governance practices is set out below;

### **ROLE AND RESPONSIBILITIES OF THE BOARD**

The Board acts on behalf of Members of County Assembly of Kiambu and is accountable to the members for the overall direction, management and corporate governance of the Kiambu County Assembly.

The Board operates in accordance with the broad principles set out in the section 116 of the Public Finance Management Act, 2012

The Board is responsible for:

- (a) Receive and analyse reports from the officer administering the Fund;
- (b) Endorse loan application forms;
- (c) Advise on any additional funds that may be required for the fund;
- (d) Liaise with the mortgage company (if any) to set up a revolving fund for the disbursement of the loans; and
- (e) Perform any other function that may be necessary for the administration of the loan.

### **DELEGATION TO FUND ACCOUNTANT**

Responsibility for day-to-day management and administration of the Fund is delegated by the Fund Administrator to the Fund Accountant. The Fund administrator and the Fund accountant are responsible for ensuring the Board is provided with appropriate, accurate and clear information on a timely basis.



## **PERFORMANCE EVALUATION**

The performance of the Car loan and mortgage is reviewed Montly,quarterly and annually.

### **FUND ADMINISTRATOR.**

The Fund administrator is the secretary to the Board through the Chairman on matters to do with the proper functioning and administration of the mortgage.

The Fund administrator is responsible for

- (a) Supervise and control the administration of the Fund;
- (b) Keep all legal documents relating to the Fund;
- (c) Cause to be kept books of account and other books and records in relation to the fund;
- (d) Prepare sign and transmit to the auditor general in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund, specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as may be required in accordance with the Public Finance Management Act;
- (e) Furnish such additional information as maybe required for the purpose of examination and audit by the auditor general;
- (f) Designate and appoint such staff as maybe necessary to assist him or her in the administration of the Fund;
- (g) Carry out such inspections as maybe necessary to verify any information submitted by loan applicant;
- (h) Prepare and submit quarterly reports on the Fund to the Committee.

## **BOARD MEETINGS**

The board meets on Monthly basis during the FY 2018/2019 to Endorse loan application forms, Receive and analyse reports from the officer administering the Fund. The board also plays an oversight role of financial and operational issues concerning Car loan and mortgage.

## **STATEMENT OF COMPLIANCE**

The board confirms that the fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

## **INTERNAL CONTROL FRAMEWORK**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment.

## **MANAGEMENT TEAM**

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

## **AUDITOR**

The fund is audited by the Auditor-General.



## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

The fund has continued to grow over the years. We received an Exchequer of kshs.344,911,100 and kshs.2,200,000 in the financial year 2017/2018 and 2018/2019 respectively. This has enabled disbursement of Members Car loan and Mortgage to the tune of kshs.246,625,000 and kshs.134,925,992 for the financial year 2017/2018 and 2018/2019 respectively. As at June 30, 2019 the outstanding Long term receivables of Members Car Loan and Mortgage (Current and Non-Current receivables) is kshs.312,332,031.

The management has put measures in place to safeguard against loss of Public Fund by ensuring Car Loan And Mortgage are jointly secured by the applicant and County Assembly Of Kiambu.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time.

### **FINACIAL PERFORMANCE**

#### **CAR LOAN AND MORTGAGE DIRSBURSEMENT**

We have advanced car loan to 1(One) Honourable Member representing 1% of total membership while 55(Fifty Five) honourable members have benefited from mortgage loan representing 72% of total membership for the Financial Year 2018/2019. It should be noted that this has been achieved while complying with the prerequisites procedures laid down laws and regulations.

### **OPERATIONAL PERFORMANCE**

The fund's core operating activity has been the offering Car Loans And Mortgage to members of County Assembly of Kiambu. The county government has supported the fund and added to the fund's better performance.

### **CONCLUSION**

We appreciate the unrelenting support from the board, management, staff, the County Government and Family Bank, Thika Branch . We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2018/2019.

## 7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Kiambu County Assembly Car Loan and Mortgage Scheme Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kiambu County Assembly Car Loan And Mortgage Scheme Fund. 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, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Fund's financial statements were approved by the Board on 24/09/ 2019 and signed on its behalf by:

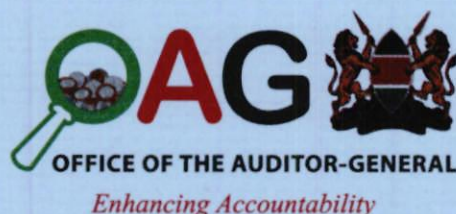


\_\_\_\_\_  
Administrator of the County Public Fund



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KIAMBU COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kiambu County Assembly Car Loan and Mortgage Scheme Fund set out on pages 14 to 45, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kiambu County Assembly Car Loan and Mortgage Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Cash and Cash Equivalents**

A review of bank statements and cash book maintained for the fund revealed that an amount of Kshs.10,669,530 recorded as receipts in the cash book and relating to loan recoveries made from Members of the County Assembly between January, 2018 and December, 2018 had not been credited in the fund's bank account and was not therefore reflected in the bank statements. Although the Management wrote to the bank to credit the amount to the account after the issue was raised in the course of audit, no reason was given for the delay in following up the matter with the bank to have it regularized.

The statement of financial position reflects cash and cash equivalents balance of Kshs.131,612,225 as at 30 June, 2019 while the corresponding Note 11 to the financial statements reflect a balance of Kshs.131,611,343 as at the same date. The resulting difference of Kshs.882 has not been explained.



Consequently, the accuracy and existence of cash and cash equivalents balance of Kshs.131,612,225 as at 30 June, 2019 could not be ascertained.

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

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Irregular Consolidation of Two Separate Funds**

Kiambu County Assembly established two separate funds as follows:

- (i) Kiambu County Assembly Car Loan Scheme Fund vide Legal Notice No. 3 of 14 May, 2014.
- (ii) Kiambu County Assembly Mortgage Scheme Fund vide legal Notice No. 5 of 22 May, 2014.

The Fund Management, however, prepared and submitted to the Auditor-General one set of financial statements for the two funds for the year ended 30 June, 2019, contrary to Regulation 16(d) and Regulation 22(l) of the Public Finance Management (Kiambu County Assembly Car Loan Scheme Fund) Regulations, 2014 and Kiambu County Assembly (Mortgage Scheme Fund) Regulations 2014 respectively which require each Fund to prepare, sign and transmit to the Auditor-General in respect of each financial



year and within three months after the end thereof, a statement of accounts relating to the Fund.

Consequently, the Fund Management breached the law.

## **2.0 Other Exchange Debtors**

As disclosed in Note 12 to the financial statements, the statement of financial position as at 30 June, 2019 reflects Kshs.30,000,000 on other exchange debtors. The balance relates to outstanding amount borrowed from the fund on 16 July, 2018 to finance operations of the County Assembly and was to be refunded immediately. Although the borrowing was authorized by the Kiambu County Executive Committee for Finance, ICT and Economic Planning, the amount borrowed had not been repaid as at the close of the financial year. No justification was provided for the delay.

Consequently, the recoverability of the Kshs.30,000,000 is in doubt.

## **3.0 Failure to Charge Assets Acquired Through Car Loan and Mortgage Facility**

As disclosed in Note 12 to the financial statements, the statement of financial position as at 30 June, 2019 reflects Kshs.186,570,617 on long term receivables from exchange transactions and relating to advances issued to the Members of the County Assembly to purchase cars and property. However, a review of loans management procedures and practices revealed the following anomalies:

- i. During the year under review the Management advanced car loans and mortgage amounting to Kshs.75,900,000 and Kshs.106,650,992 to thirty-seven (37) Members and thirty-eight (38) Members, respectively. However, the fund Committee did not charge the title deeds contrary to Regulation 19(1) of the Kiambu County Assembly (Mortgage Scheme Fund) Regulations, 2014 which states that the Committee shall have a charge registered on the property financed through a loan granted under these regulations.
- ii. Records provided revealed that seven members of the County Assembly who were advanced loans totalling Kshs.18,000,000 utilized the funds to purchase commercial vehicles contrary to Regulation 10 of the Public Finance Management (Kiambu County Assembly Car Loan Scheme Fund), 2014 which requires loans obtained from the fund to be used for purchase of a vehicle for personal or official use by the applicant. No justification was provided for the misapplication of the car loans.

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



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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of Kiambu County Assembly Car Loan and Mortgage Scheme Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management is aware of the intention to liquidate 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from



fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kiambu County Assembly Car Loan and Mortgage Scheme Fund 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 sustaining 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 Kiambu County Assembly Car Loan and Mortgage Scheme Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathunga**  
**AUDITOR-GENERAL**

**Nairobi**

**07 September, 2021**

## 9. FINANCIAL STATEMENTS

### 9.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	8,342,147.46	2,493,842.00
Other income	5	-	-
<b>Total revenue</b>		<b>8,342,147.46</b>	<b>2,493,842.00</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
Staff costs	7	-	-
General expenses	8	-	-
Finance costs	9	78,507.00	68,280.00
<b>Total expenses</b>		<b>78,507.00</b>	<b>68,280.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>8,263,640.46</b>	<b>2,425,562.00</b>



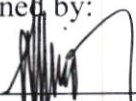
**THE KIAMBU COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**9.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	131,612,224.94	206,403,551.00
Current portion of long term receivables from exchange transactions	12	125,761,413.58	-
Prepayments	13	-	-
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	186,570,616.93	227,077,063.00
<b>Total assets</b>		<b>443,944,255.45</b>	<b>433,480,614.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>			-

<b>Net assets</b>		<b>443,944,255.46</b>	<b>433,480,614.00</b>
Revolving Fund		433,255,053.00	431,055,053.00
Reserves		-	-
Accumulated surplus		10,689,202.46	2,425,562.00
<b>Total net assets and liabilities</b>		<b>443,944,255.46</b>	<b>433,480,615.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24/09/2019 and signed by:



\_\_\_\_\_  
 Administrator of the Fund  
 Dr . Francis Ndirange Njenga (Ph.D.)



\_\_\_\_\_  
 Fund Accountant  
 Daniel Karani Gichuki  
 ICPAK Member No:8965

### 9.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	<b>86,143,953.00</b>	-	-	<b>86,143,953.00</b>
Surplus/(deficit) for the period	-	-	2,425,562.00	<b>2,425,562.00</b>
Funds received during the year	344,911,100.00	-	-	<b>344,911,100.00</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>431,055,053.00</b>	-	<b>2,425,562.00</b>	<b>433,480,615.00</b>
<b>Balance as at 1 July 2018</b>	<b>431,055,053.00</b>	-	<b>2,425,562.00</b>	<b>433,480,615.00</b>
Surplus/(deficit) for the period	-	-	8,263,640.46	<b>8,263,640.46</b>
Funds received during the year	2,200,000.00	-	-	<b>2,200,000.00</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>433,255,053.00</b>	-	<b>10,689,202.46</b>	<b>443,944,255.46</b>



#### 9.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		8,263,640.46	-
Receipts from other operating activities		-	-
<b>Total Receipts</b>		-	-
<b>Payments</b>			
Fund administration expenses		-	-
General expenses		-	-
Finance cost		-	-
<b>Total Payments</b>		-	-
<b>Net cash flows from operating activities</b>	21	<b>8,263,640.46</b>	<b>2,425,562.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		79,586,500.48	19,547,937.00
Loan disbursements paid out		(134,925,992.00)	246,625,000.00
<b>Net cash flows used in investing activities</b>		<b>( 55,339,491.52)</b>	<b>227,077,063.00</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		2,200,000.00	431,055,053.00
Additional borrowings		(30,000,000.00)	-
Other Income		84,524.00	-
<b>Net cash flows used in financing activities</b>		<b>( 27,715,476.00)</b>	<b>431,055,053.00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>( 74,791,327.06)</b>	<b>206,403,552.00</b>
Cash and cash equivalents at 1 JULY	11	206,403,552.00	-
<b>Cash and cash equivalents at 30 JUNE</b>	11	<b>131,612,224.94</b>	<b>206,403,552.00</b>

**9.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	0
Transfers from County Govt.	-	-	-	-	-	0
Interest income	8,400,000.	-	-	8,342,147.46	57,852.54	99.3%
Other income	-	-	-	-	-	0
<b>Total income</b>	<b>8,400,000</b>	<b>-</b>	<b>-</b>	<b>8,342,147.46</b>	<b>57,852.54</b>	<b>99.3%</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	-	-	0
Staff costs	-	-	-	-	-	0
General expenses	-	-	-	-	-	0
Finance cost	79,000	-	-	78,507.00	493	99.3%
<b>Total expenditure</b>	<b>79,000</b>	<b>-</b>	<b>-</b>	<b>78,507.00</b>	<b>493</b>	<b>99.3%</b>
<b>Surplus for the period</b>	<b>8,321,000</b>	<b>-</b>	<b>-</b>	<b>8,263,640.46</b>	<b>57,359.54</b>	<b>99.3%</b>



## 9.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 2. Adoption of new and revised standards

#### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2019</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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

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

#### c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Revenue recognition

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

##### **Transfers from other government entities**

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

#### ii) Revenue from exchange transactions

##### *Interest income*

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

### 4. Budget information

The original budget for FY 2018/19 was approved by the County Assembly June 2018 . 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 Kshs.2,200,000 on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 10.5 of these financial statements.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### 6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

### 7. Financial instruments

#### *Financial assets*

#### *Initial recognition and measurement*

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

#### *Loans and receivables*

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

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

### ***Held-to-maturity***

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

### ***Impairment of financial assets***

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

#### ***Loans and borrowing***

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

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

### 9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### *Contingent liabilities*

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

### ***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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

The Entity creates and maintains reserves in terms of specific requirements.

#### **Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

### **11. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

### **12. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.



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

### **13. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

### **14. Related parties**

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

### **15. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **16. Comparative figures**

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

### **17. Events after the reporting period**

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

### **18. Ultimate and Holding Entity**

The entity is a County Public Fund established by PFM Act the Kiambu County Assembly Car Loan and Mortgage Scheme Fund under the Ministry. Its ultimate parent is the County Government of Kiambu.

### **19. Currency**

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 20. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

#### Useful lives and residual values

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available.

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.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 21. Financial risk management

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

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

#### a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	312,332,030.50	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	131,612,224.94	0	0	0
<b>Total</b>	443,944,255.45	0	0	0
	0	0	0	0
<b>At 30 June 2018</b>	0	0	0	0
Receivables from exchange transactions	227,077,063	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	206,403,551	0	0	0
<b>Total</b>	433,480,614	0	0	0

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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

### b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	0	0	0	0
<b>At 30 June 2018</b>	0	0	0	0
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	0	0	0	0



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

### i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2019</b>			
Financial assets (investments, cash ,debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2019</b>			
Euro	0	0	0
USD	0	0	0
<b>2018</b>			
Euro	0	0	0
USD	0	0	0

### ii. Interest rate risk

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

#### *Management of interest rate risk*

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

#### *Sensitivity analysis*

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



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	433,255,053.00	431,055,053.00
Accumulated surplus	10,689,202.46	2,425,562.00
<b>Total funds</b>	<b>443,944,255.46</b>	<b>433,480,615.00</b>
Total borrowings	0	0
Less: cash and bank balances	131,612,224.94	206,403,551.00
Net debt/(excess cash and cash equivalents)	312,332,030.52	227,077,063.00
<b>Gearing</b>		

9.7. NOTES TO THE FINANCIAL STATEMENTS

1 Public contributions and donations

Description	FY2018/19	FY2017/18
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

2 Transfers from County Government

Description	FY2018/19	FY2017/18
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

3 Fines, penalties and other levies

Description	FY2018/19	FY2017/18
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

4 Interest income

Description	FY2018/19	FY2017/18
	KShs	KShs
Interest income from loans(mortgage or car loans)	8,342,147.46	2,493,842.00
<b>Total interest income</b>	<b>8,342,147.46</b>	<b>2,493,842.00</b>



**5 Other income**

Description	FY2018/19	FY2017/18
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	-	-

**6 Fund administration expenses**

Description	FY2018/19	FY2017/18
	KShs	KShs
Loan processing costs	-	-
Professional services costs	-	-
<b>Total</b>	-	-

**7 Staff costs**

Description	FY2018/19	FY2017/18
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	-	-

**8 General expenses**

<b>Description</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9 Finance costs**

<b>Description</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Bank Charges	78,507.00	68,280.00
Interest on loans from banks	-	-
<b>Total</b>	<b>78,507.00</b>	<b>68,280.00</b>



## 10 Gain on disposal of assets

Description	FY2018/19	FY2017/18
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

## 11 Cash and cash equivalents

Description	FY2018/19	FY2017/18
	KShs	KShs
Fixed deposits account/Family Bank Account No.005000049017	110,044,788.00	22,039,589.00
On – call deposits/Family Bank Account No.005000047655	21,566,554.62	184,363,962.00
Current account	-	-
Others	-	-
<b>Total cash and cash equivalents</b>	<b>131,611,342.62</b>	<b>206,403,551.00</b>

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

Financial institution	Account number	FY2018/19
		KShs
<b>a) Fixed deposits account</b>		
Kenya Commercial bank		-
Equity Bank, etc		-
<b>Sub- total</b>		<b>-</b>
<b>b) On - call deposits</b>		
Kenya Commercial bank		-
Equity Bank - etc		-

<b>Sub- total</b>		-
<b>c) Current account</b>		
Kenya Commercial bank		-
Bank B		-
<b>Sub- total</b>		-
<b>d) Others(specify)</b>		
Cash in transit		-
Cash in hand		-
M Pesa		-
<b>Sub- total</b>		-
<b>Grand total</b>		-

## 12 Receivables from exchange transactions

<b>Description</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	<b>95,761,413.58</b>	-
Other exchange debtors	<b>30,000,000.00</b>	-
<b>Total Current receivables</b>	<b>112,761,413.58</b>	-
<b>Non-Current receivables</b>		
Long term loan repayments due	<b>186,570,616.93</b>	227,077,063.00
<b>Total Non-current receivables</b>	<b>186,570,616.93</b>	<b>227,077,063.00</b>
<b>Total receivables from exchange transactions</b>	<b>282,332,030.52</b>	<b>227,077,063.00</b>



### 13 Prepayments

Description	FY2018/19	FY2017/18
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	-	-

### 14 Inventories

Description	FY2018/19	FY2017/18
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

### 15 Property, plant and equipment

Cost	Land and	Motor
	Buildings	vehicles
	KShs	KShs
<b>At 1<sup>st</sup> July 2016</b>	-	-
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
<b>At 30<sup>th</sup> June 2017</b>	-	-

<b>At 1<sup>st</sup> July 2017</b>	-	-
Additions	-	-
Disposals	-	-
Transfer/adjustments	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-
<b>Depreciation and impairment</b>		
At 1 <sup>st</sup> July 2016	-	-
Depreciation	-	-
Impairment	-	-
<b>At 30<sup>th</sup> June 2017</b>	-	-
<b>At 1<sup>st</sup> July 2017</b>	-	-
Depreciation	-	-
Disposals	-	-
Impairment	-	-
Transfer/adjustment	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-
<b>Net book values</b>		
<b>At 30<sup>th</sup> June 2017</b>	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	-

**16 Intangible assets-software**

Description	FY2018/19	FY2017/18
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	-	-



Additions	-	-
<b>At end of the year</b>	-	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization	-	-
<b>At end of the year</b>	-	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	-	-

**17 Trade and other payables from exchange transactions**

<b>Description</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**18 Provisions**

<b>Description</b>	<b>Leave provision</b>	<b>Bonus provision</b>
	<b>KShs</b>	<b>KShs</b>
Balance at the beginning of the year	-	-
Additional Provisions	-	-
Provision utilized	-	-

Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
<b>Total provisions</b>	-	-

## 19 Borrowings

Description	FY2018/19 KShs	FY2017/18 KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	FY2018/19 KShs	FY2017/18 KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-



<b>Total balance at end of the year</b>	-	-
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The table below shows the classification of borrowings long-term and current borrowings:

<b>Description</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

*(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

## 20 Employee benefit obligations

<b>Description</b>	<b>Defined benefit plan</b>	<b>Post employment medical benefits</b>
	<b>KShs</b>	<b>KShs</b>
Current benefit obligation	-	-
Non-current benefit obligation	-	-
<b>Total employee benefits obligation</b>	-	-

## 21 Cash generated from operations

	<b>FY2017/2018</b>	<b>FY2016/2017</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	-	-
<b>Adjusted for:</b>		
Depreciation	-	-

Gains/ losses on disposal of assets	-	-
Interest income	8,342,147.46	2,493,842.00
Finance cost/Bank Charges	78,507.00	68,280.00
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>8,263,640.46</b>	<b>2,425,562.00</b>

## 22 Related party balances

<b>a) Related party transactions</b>		
	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from related parties'	-	-
Transfers to related parties	-	-

<b>b) Key management remuneration</b>		
	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

<b>c) Due from related parties</b>		
	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	-	-
Due from County Government	-	-



<b>Total</b>	-	-
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**d) Due to related parties**

	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**23 Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>FY2018/19</b>	<b>FY2017/18</b>
	<b>KShs</b>	<b>KShs</b>
Court case xxx against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

## 10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Cash and Cash Equivalents	The cash and cash equivalents of Kshs 195,848,817.42 comprises of Kiambu County Car and Mortgage Loan Recovery Account of Kshs.11,484,805 and Kiambu County Loan Disbursement figure of Kshs 184,364,012.42. A cashbook, board of survey report and bank reconciliation statement were prepared in support of Kshs. 195,848,817.42	Mr. John Mugo – Account Officer	Resolved	Resolved

### Guidance Notes:

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