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TABLED BY	D. May. W.
COMMITTEE	-
CLERK AT THE TABLE	Manga

REPORT

OF

THE AUDITOR-GENERAL

ON

**NAIROBI CITY COUNTY ASSEMBLY CAR
LOAN AND MORTGAGE FUND**

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





NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD
CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

NAIROBI CITY COUNTY ASSEMBLY
Car Loan and Mortgage Scheme Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Nairobi City County Assembly Car Loan & Mortgage Scheme Fund is established by the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014 and derives its authority and accountability from Section 167 of the Public Finance Management Act 2012. For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund. The Fund is wholly owned by the County Government of Nairobi and is domiciled in Kenya.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car Loan Scheme Fund with the approval of the County Assembly.

The Nairobi City County Assembly Car Loan Scheme Fund is a revolving fund established pursuant to Regulation 3 of the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 as read together with section 116 of the Public Finance Management Act, 2012 and circulars ref SRC/TS/CAF/3/61/49(46) from the Salaries and Remunerations Commission dated 13th December 2017.

The Fund started operations on 1st July 2019 as a single fund administering Car Loan and Mortgage benefits for members and staff of the Nairobi City County Assembly. Prior to this date, the benefits were administered from two different funds namely Nairobi City County Assembly Car Loan Scheme Fund and Nairobi City County Assembly Mortgage Scheme Fund. These two funds were merged with effect from 1st July 2019. The merged Funds operate under the new Regulations namely; The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. These Regulations were gazetted in July 2018 and came into force in Financial Year 2018/2019.

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The Clerk of the County Assembly, being the Accounting Officer of the Assembly is the administrator of the fund as established by Regulation 6(1)(g) of Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017.

The fund's objective is to:

- (a) Purchase vehicles for Members and staff of the County Assembly
- (b) Purchase, development, renovation or repair of residential property.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to purchase vehicles for members and staff of the County Assembly and to purchase, develop, renovate or repair a residential property.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon Peter Wanyoike	Loans Management Committee Chairperson
2	Mr Edward O Gichana	Clerk Nairobi County Assembly
3	Ms. Pauline Akuku	Deputy Clerk Administration Nairobi County Assembly
4	Mr Paul Kimani	Director Financial Services
5	Mr Sammy Ndana	Principal Accountant

d) Key Management

Ref	Name	Position
1	Mr Edward O Gichana	Clerk Nairobi County Assembly
2	Mr Sammy Ndana	Principal Accountant
3	Ms. Pauline Akuku	Deputy Clerk Administration Nairobi County Assembly
4	Mr Paul Kimani	Director Financial Services

e) The Nairobi City County Assembly Headquarters

P.O. Box 45844-00100
 City Hall Building
 Mama Ngina Street
 Nairobi, KENYA

f) Fund Contacts

Telephone: (254) 703027000 0202776000
 E-mail: customerservice@co-opbank.co.ke

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g) Fund Banker

Cooperative Bank of Kenya
City Hall Branch
P.O. Box 44805-00200
Nairobi, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

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2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Trustee 1	
2. Trustee 2	
3. Trustee 3	
4. Etc.	

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**3. 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.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Legislation, Representation and Oversight	To facilitate members and staff of Nairobi City County Assembly with Mortgage benefits.	Increased efficient long term secured housing ownership plan for the MCA and staff	% of mortgages applied for and approved by the Loans committee.	In FY 19/20 we had an uptake of 13 mortgages issued out.
Legislation, Representation and Oversight	To facilitate members and staff of Nairobi City County Assembly with car loan benefits.	Increased efficient transportation of both MCA and staff members as they carry out their duties.	% of car loan applied for and approved by the Loans committee.	In FY 19/20 we had an uptake of one (1) car loan issued out.

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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Mr. Edward Gichana	Clerk Nairobi County Assembly
2. Ms Pauline Akuku	Deputy Clerk Administrative Services
3. Mr. Paul Kimani	Director Financial Services
4. Mr. Sammy Ndana	Principal Accountant

Note: The Fund Administrator will feature under both the 'Board' and 'Management'.

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5. FUND CHAIRPERSON'S REPORT

The Nairobi City County Assembly Car Loan & Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements.

For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund.

The Fund started operations in June 2014 under the said Regulations, Public Finance management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2014*. During the year under reporting and pursuant to merging of the Car Loan and Mortgage benefits for Members of County Assemblies by the salaries and Remuneration Commission, the county Assembly adopted new Regulations, Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017*. These Regulations were gazetted in July 2018 and came into force during the period under reporting – Financial Year 2018/2019. The Fund has therefore been operating under the transitional clause as provided for under regulation 35 of the new Regulations- Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017*. Full transition however was effective 1st July 2019.

Signed: RW

CHAIRPERSON LOANS MANAGEMENT COMMITTEE

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6. REPORT OF THE FUND ADMINISTRATOR

Section 116 (7) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the administrator for a county public fund shall prepare financial statements in respect of that fund.

The administrator in charge of the Nairobi City County Assembly Car Loan Scheme 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 each Financial Year.

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 Nairobi City County Assembly Car Loan and Mortgage Scheme Fund accepts responsibility for the Fund's Financial Statements as set out in pages 9-14, which have been prepared using appropriate accounting policies in accordance with International Public Sector Accounting Standards on accrual basis (IPSAS Accrual). The Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's Financial Position as at that date. The Administrator of the Nairobi City County Assembly Car Loan Scheme Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's Financial Statements as well as the adequacy of the systems of internal financial Control

Signed: _____



CLERK, NAIROBI CITY COUNTY ASSEMBLY

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7. CORPORATE GOVERNANCE STATEMENT

The Fund started operations in June 2014 under the said Regulations, Public Finance management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2014. During the year under reporting and pursuant to merging of the Car Loan and Mortgage benefits for Members of County Assemblies by the salaries and Remuneration Commission, the county Assembly adopted new Regulations, Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. These Regulations were gazetted in July 2018 and came into force during the period under reporting – Financial Year 2018/2019. The Fund has therefore been operating under the transitional clause as provided for under regulation 35 of the new Regulations- Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. Full transition however was effective 1st July 2019.

In the FY 2019/2020, the Loans and Mortgage Committee had a total number of (11) eleven committee meetings whereby (7) seven were physical sittings while (4) four were online meetings as a result of the Covid 19 regulations whereby physical meetings were barred. The secretariat confirms that all the meetings called upon meeting the minimum quorum for a meeting to proceed on and minutes and attendance register was taken for each and every committee meeting.

The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 Part II sec 6(1) stipulates the establishment of the loans management committee membership. The established committee to be known as the Loans Management Committee which shall comprise of—

- (a) the Leader of the Majority Party, who shall be the chairperson;
- (b) the Leader of the Minority Party, who shall be the vice-chairperson;
- (c) the Majority Whip of the County Assembly;
- (d) the Minority Whip of the County Assembly;
- (e) four members of the county assembly nominated by the members of county assembly;

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- (f) three members of staff of the County Assembly, elected by the staff of the County Assembly; and
- (g) the Clerk of the County Assembly who shall be the officer administering the Fund, an *ex-officio* member of the Committee and the secretary to the Committee.

The meetings of the Committee shall be convened by the chairperson or in the absence of the chairperson, by the vice chairperson and in the absence of both, by a member designated by the chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions. The quorum for meetings of the Committee shall be one third of the members.

The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 Part II sec 4 states that the object and purpose of the Fund shall be to provide loans to the members of the Scheme for

- the purchase of vehicles; and
- the purchase, development, renovation or repair of residential property.

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8. MANAGEMENT DISCUSSION AND ANALYSIS

In the FY 2019/2020, the Nairobi City County Assembly Car loan and Mortgage Scheme fund experienced major unavoidable challenges. As from the month of October 2019 the fund account domicile at Cooperative Bank City Hall Branch was not operational. During the financial year under reporting, payments to mortgage and car applicants drastically dropped compared to the previous FY due to challenges that faced the fund account. The number of mortgages that were paid out in the FY 2019/2020 were a total of (13) thirteen applicants, being both members of staff and Members of the County Assembly. For the car loan, only one applicant applied and was successfully paid out.

With regard to the Fund operations in the FY2019/2020, the following were managerial salient issues and challenges that emerged:

- 1. Operationalization of the Fund Account-** The County Assembly faced political challenges that hampered administrative operations thereby derailing Fund Account operations. Such that there was no accessibility of loan benefits to members of the fund.
- 2. Non-Remittance of Loan Repayments-** Following the derailment of fund account operations, the County Assembly paid cumulated Loan repayments for the period January to June 2020 however these payments were suspended by the Central Bank of Kenya thereby rendering these repayments pending bills for consideration in the FY2020/2021.
- 3. Three (3) month moratorium waiver due to Covid 19 -** Following the nationwide declaration of Covid-19 pandemic that posed social and economic challenges to the country population, the Nairobi City County Assembly Service Board resolved to waive loan repayments for a period of Three (3) Month i.e. April, May and June of 2020.
- 4. Halting of site visits-** The Nairobi County Assembly having faced the political challenges, this hampered administrative operations including site visits thereby derailing Fund Account operations that the committee carries out to ascertain the existence of the properties bought from the scheme fund.
- 5. Non-remittance of Interest Accrued by the Fund-** The interest accrued from the daily fund account balances by the bank was not remitted within the financial year under reporting, however on 16th of September 2020 a deposit of Kshs. 6,181,217.12 (July 2019 to June 2020 Interest) was credited to the fund account as the interest accrued by the fund for the period 1st July 2019 to 16th September 2020.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

- 1. Sustainability strategy and profile -**
- 2. Environmental performance**
- 3. Employee welfare**
- 4. Market place practices-**
- 5. Community Engagements-**

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10. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are.

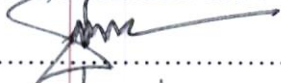
Results

The results of the Fund for the year ended June 30, 2020 are set out on page

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.

CLERK, NAIROBI CITY COUNTY ASSEMBLY


.....

Date: 10/12/2020

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. Section 167 of the Public Finance Management Act 2012 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*quote the applicable legislation establishing the County Public 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, 2020, 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 10/12/ 2020 and signed on its behalf by:



Administrator of the County Public Fund

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11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020	2018/2019
		KShs 000	KShs 000
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	18,151	20,773
Other income	5	-	-
		18,151	20,773
Total revenue		18,151	20,773
Expenses			
Fund administration expenses	6	3,111	8,785
General expenses	7	-	-
Finance costs (Bank Charges)	8	25	71
Total expenses		3,136	8,586
Other gains/losses			
Gain/loss on disposal of assets	9	-	-
Surplus/(deficit) for the period		15,015	11,917

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nairobi City County Assembly Car Loan and Mortgage Fund set out on pages 17 to 54, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of as at 30 June, 2020, 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 Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies of the Financial Statements

The statement of changes in net assets reflects an accumulated surplus balance as at 30 June, 2020 of Kshs.15,015,000 while the recomputed balance is Kshs.68,551,000 resulting to an unexplained variance of Kshs.53,536,000.

Further, the statement of cash flows reflects a net decrease in cash and cash equivalents of Kshs.455,000 while the recomputed amount is a net increase of Kshs.7,897,000 resulting to an unexplained difference of Kshs.8,352,000.

In addition, the statement of comparison of budget and actual amounts reflects total performance difference of Kshs.9,402,000 under total expenditure while the

recomputed amount is Kshs.9,250,000 which gives rise to an unexplained variance of Kshs.152,000.

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

2. Unsupported Loan Balances

As disclosed in Note 11 to the financial statements, the statement of financial position reflects a balance of Kshs.493,655,000 as receivables from exchange transactions for the year ending 30 June, 2020 out of which an amount of Kshs.91,022,000 is in respect of car loans and Kshs.402,633,000 is in relation to long term loan repayment due. However, a confirmation from the bank of all the collateral security of the Car and Mortgage loans deposited with the bank was not provided.

In the circumstances, the validity of the loan balances of Kshs.493,655,000 as at 30 June, 2020 could not be confirmed.

3. Unsupported Fund Administration Expenditure

The statement of financial performance for the year ended 30 June, 2020 reflects total expenditure of Kshs.3,136,000 which includes fund administration expenses of Kshs.3,110,675. However, supporting documents including payment vouchers and expenditure schedules were not provided.

In the circumstances, the validity and accuracy of the expenditure of Kshs.3,110,675 for the year ending 30 June, 2020 could not be confirmed.

4. Non-remittances of Loan Instalments

The statement of financial performance for the year ended 30 June, 2020 revealed that total Loans disbursed by the fund amounted to Kshs.493,655,000 with interest on loans of Kshs.11,969,000. An audit examination of loan repayment records confirmed that a total of Kshs.4,652,555 being loan repayment installments had not been remitted by six beneficiaries. This is contrary to Regulation 14 (1) of the Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017, which states that "Any loan disbursed under these regulations shall be repaid as a direct deduction from the borrower's monthly salary".

No explanation was given as to why the amount has not been paid or recovered and the Management did not provide evidence of any action taken to recover the unremitted loan repayment.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City County Assembly Car

Loan and Mortgage Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final expenditure budget and actual on comparable basis of Kshs.12,386,000 and Kshs.3,136,000 respectively resulting to an under-expenditure of Kshs.9,250,000 or 75% of the budget.

The underperformance affected the Fund's planned activities and may have impacted negatively on service delivery to the members.

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 matter 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

Irregular Loan Refinancing/Offsetting

An examination of the sampled borrowers' files revealed that a sum of Kshs.7,950,000 was given out to two (2) Members of County Assembly (MCAs) as loans to offset/refinance bank loans. This is contrary to section 4 of The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017 which states that the objective of the fund is to provide loans and mortgages to members for the purchase of vehicles; and the purchase, development, renovation or repair of residential property.

The Management was therefore in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

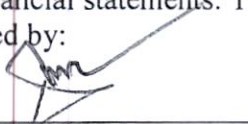
15 February, 2022

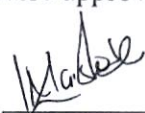
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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs 000	2018/2019 KShs 000
Assets			
Current assets			
Cash and cash equivalents	10	188,294	188,748
Current portion of long- term receivables from exchange transactions	11	91,022	90,176
Prepayments		-	-
Inventories		-	-
Non-current assets			
Property, plant and equipment	14	-	-
Intangible assets	15	-	-
Long term receivables from exchange transactions	11	402,633	414,612
		-	-
Total assets		681,949	693,536
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	2,368	-
Provisions	17	-	-
Current portion of borrowings		-	-
Employee benefit obligations	19	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		664,566	640,000
Reserves		-	-
Accumulated surplus		15,015	53,536
Total net assets and liabilities		681,949	693,536

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 10/12/2020 and signed by:


 Administrator of the Fund
 Name: Edward O Gichana
 ICPAK Member Number:4922


 Fund Accountant
 Name: Paul Kimani
 ICPAK Member Number: 18731

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11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs 000	KShs 000	KShs 000	KShs 000
Balance as at 1 July 2018	640,000	-	41,619	681,619
Surplus/(deficit) for the period	-	-	11,917	11,917
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	640,000	-	53,536	693,536
Balance as at 1 July 2019	640,000	-	53,536	693,536
Surplus/(deficit) for the period	24,566	-	15,015	34,290
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	664,566	-	15,015	679,581

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11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs 000	KShs 000
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		18,151	22,258
Receipts from other operating activities		-	-
Total Receipts		18,151	22,258
Payments			
Fund administration expenses		(3,111)	(8,785)
General expenses		-	-
Finance cost (Bank Charges)		(25)	(71)
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding Imprest)	21	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	18	2,368	-
Net cash flows from operating activities		9,031	13,402
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment			-
Proceeds from loan principal repayments		26,950	75,353
Loan disbursements paid out		(36,436)	(196,912)
Net cash flows used in investing activities		(9,486)	(121,559)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	100,000
Repayment of borrowings		-	(100,00)

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Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(455)	(108,157)
Cash and cash equivalents at 1 JULY 2019	15	188,749	296,906
Cash and cash equivalents at 30 JUNE 2020	15	188,294	188,749

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2020	2020	2020	2020	2020	2020
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.						
Interest income	13,800	-	13,800	11,970	1,830	86.74%
Other income (Interest accrued by bank)	6,181	-	6,181	6,181	-	100%
Total income	19,981	-	19,981	18,151	1,830	90.84%
Expenses						
Fund administration expenses	12,386	-	12,386	3,111	9,275	25.12%
General expenses	-	-	-	-	-	
Finance cost (Bank Charges)	-	-	-	25	-	
Total expenditure	12,386	-	12,386	2,984	9,402	24.09%
Surplus for the period	7,595	-	7,595	16,997	-	

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11.6. 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 2020

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

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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: <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;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • 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 2022</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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</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>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

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Standard	Effective date and impact:
	<p>Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

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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 2019/2020 was approved by the County Assembly, 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 xxxxx on the FY 2019/2020 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 of these financial statements.

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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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Borrowing costs

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

14. Related parties

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

15. Cash and cash equivalents

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

16. Comparative figures

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

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 Nairobi City County Assembly Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014 Act. For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund. (state the legislation establishing the Fund). Its ultimate parent is the County Government of Nairobi.

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19. Currency

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

	Total amount KShs 000	Fully performing KShs 000	Past due KShs 000	Impaired KShs 000
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 000	KShs 000	KShs 000	KShs 000
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs 000	KShs 000	KShs 000
At 30 June 2019			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs 000	KShs 000	KShs 000
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	KShs 000	KShs 000
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Interest income from Mortgage loans	9,449	9,727
Interest income from car loans	2,520	3,674
Interest income from investments	-	-
Interest income on bank deposits	6,181	7,372
Total interest income	18,151	20,773

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Interest income paid by borrowers represents the interest charged on the borrowers as guided by the SRC at 3% per month. The total Interest income of Ksh 17.197 M is accrued interest that the fund should have generated from the loan repayments and bank interest. It should be noted that the interest accrued by the fund had not reflected in the bank account as at 30th June 2020, the amount put above was the accrued interest during the financial year.

5. Other income

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		
Total other income	-	-

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	3,111	8,856
Total	3,111	8,856

The administrative expenses captured in the financial statements is a summary of the expenses paid in administering the fund account. The Ksh. 2.984M is the summation of Ksh. 1.633M payable in the FY 2019/2020. Due to administrative challenges, Ksh. 1.351M was a pending bill and will be payables for the FY 2020/2021.

7. Staff costs

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0

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Total	0	0
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	25	71
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	25	71

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. (a) Finance costs

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9. (b) Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

10. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Nairobi County Assembly Car loan & Mortgage Fund account	215,223	188,748
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	215,223	188,748

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs 000	KShs 000
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	-

11. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Current Receivables		
Interest receivable	6,181	-
Current loan repayments due	84,841	90,176
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	91,022	
Non-Current receivables		
Long term loan repayments due	402,633	414,612
Total Non- current receivables	-	-
Total receivables from exchange transactions	-	-

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Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

12. Revenue from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs 000	KShs 000
Transfer to County Executive	-	-
Transfer to XXXX Fund	-	-
Total receivables from non-exchange transactions	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. (A) Prepayments

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

13 (B) Inventories

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

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12. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
At 1 st July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 th June 2019	-	-	-	-	-
At 1 st July 2019					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June 2019	-	-	-	-	-
At 1 st July 2019					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-
Net book values					
At 30 th June 2019	-	-	-	-	-

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At 30 th June 2020	-	-	-	-	-
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets-software

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

14. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	2,368	8,785
Other payables	-	-
Total trade and other payables	2,368	8,785

15. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs 000	KShs 000	KShs 000	KShs 000
Balance at the beginning of the year(1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2019)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Borrowings

Description	2019/2020	2018/2019
	KShs 000	KShs 000
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	2019/2020	2018/2019
	KShs 000	KShs 000
External Borrowings		
Dollar denominated loan from 'xxx organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from the organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs 000	KShs 000
Account receivable as at 1 st July 2019 (A)	-	-
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

18. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs 000	KShs 000
Accounts Payable as at 1 st July 2019 (A)	0	-
Accounts Payable held during the year (B)	1326	-
Accounts Payable paid during the Year (C)	0	-
Net changes in account receivables D= A+B-C	1326	-

19. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs 000	KShs 000	KShs 000	KShs 000
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

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20. Cash generated from operations

	2019/2020	2018/2019
	KShs 000	KShs 000
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

21. Related party balances

a) Nature of related party relationships

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

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

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b) Related party transactions

	2019/2020	2018/2019
	KShs 000	KShs 000
Transfers from related parties ⁷	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2019/2020	2018/2019
	KShs 000	KShs 000
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2019/2020	2018/2019
	KShs 000	KShs 000
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2019/2020	2018/2019
	KShs 000	KShs 000
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

22. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs 000	KShs 000
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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23. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	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)