

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

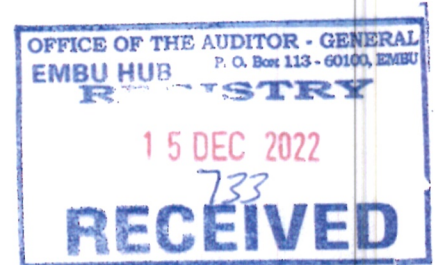
**COUNTY ASSEMBLY OF EMBU  
CAR LOAN AND MORTGAGE  
(MEMBERS) SCHEME FUND**

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

PAPERS LAID	
DATE	15/6/2023
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EMBU COUNTY ASSEMBLY



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**COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (MEMBERS) SCHEME  
FUND ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
JUNE 30, 2022**

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

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
Annual Report and Financial Statement for year ended 30<sup>th</sup> June, 2022*

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022*

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The County Assembly of Embu Car loan and Mortgage scheme is a revolving fund established pursuant to Section 116 of the PFM Act and supplemented with the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the Administrator of public funds with the responsibility of the preparation of annual financial statements. For proper management of the fund and as advised by the SRC in the circular under the reference, the County Assembly of Embu adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

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

The objective of fund is to provide Car and Mortgage loans to MCAs to facilitate them in their roles as enshrined in the Constitution.

**b) Principal Activities**

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

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

Ref	Name	Position
1	Hon. Nyaga Peter Mureithi	Chairman of the Committee

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2	Hon. Njiru Paul Muchangi	Member
3	Hon Nzangi Phillip Kinyutu	Member
4	Hon. Mbaka John Ngari	Member
5	Hon. Swaleh Ibrahim	Member
6	Hon. Gatumu Fredrick Gatumu	Member
7	Hon. Munyambu Job Itumo	Member
8	Hon. Githinji Daniel	Member
9	Hon. Njued Jane Karimi	Member
10	Hon. Githinji Daniel	Member
11	Njued Jane Karimi	Member
12	Jim G. Kauma	Fund Administrator

**d) Key Management**

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

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**e) Registered Offices**

County Assembly of Embu Chambers  
Spring Valley Area Along James Nyaga Crescent road  
Opposite Faith House  
P O Box 140-60100  
**EMBU, KENYA**

**f) Fund Contacts**

Telephone: (254) 0682231208  
E-mail: [countyassemblyofembu@gmail.com](mailto:countyassemblyofembu@gmail.com)  
Website: [www.embuassembly.go.ke](http://www.embuassembly.go.ke)

**g) Fund Bankers**

Family Bank Kenya  
Embu Branch  
**EMBU**





**h) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P O Box 30084- GPO 00100  
**NAIROBI, KENYA**





**i) Principal Legal Adviser**

The Attorney General  
State Law Office- Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**NAIROBI, KENYA**

**2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE**





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

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 <p><b>Hon. Gatumu Fredrick Mugendi</b></p>	<p>MCA – Gatari South</p> <p>Date of Birth : 18<sup>th</sup> September 1983</p> <p>Chairperson Ward Equalization Committee</p> <p>Member Car loan and Mortgage fund</p>
 <p><b>Hon. Philip Kinyutu Nzangi</b></p>	<p>MCA – Makima Ward</p> <p>Date of Birth 12<sup>th</sup>December 1978</p> <p>Chairperson - Administration Committee</p> <p>Member Mortgage and car loan fund</p> <p>Member Speaker’s Panel</p>
 <p><b>Hon. Munyambu Job Itumo</b></p>	<p>MCA – Mwea Ward</p> <p>Date of Birth : 31<sup>st</sup> May 1972</p> <p>Chairperson Health Committee</p> <p>Member Mortgage and car loan fund</p>
 <p><b>Hon. Githinji Daniel</b></p>	<p>MCA – Nominated</p> <p>Date of Birth 9<sup>th</sup> December 1988</p> <p>Member Mortgage and car loan fund</p>





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



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**3. MANAGEMENT TEAM.**

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

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

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**4. BOARD/FUND COMMITTEE CHAIRPERSON'S REPORT**

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

The board of trustees has continued to perform its distinct functions to achieve the objectives of the board. In the Financial year under review there were no changes in the management of the fund but the term of the current coming to an end in August 2022 new members came in the the management has changed as indicated in the list of the Board of Trustees. There has been no changes in the key management team.

• **Review of the Fund's performance**

The fund performance has been vibrant in the year. All the 34 MCAs had already received the car loans and mortgage and have continued to repay their loans as scheduled.

During the year the Salaries and Remuneration Commission (SRC) converted car loans to grants and hence all monies that members had paid as car loans were repaid back as per SRC Circular No. SRC/TS/COG/3/61/48/Vol. II (113).

• **Future outlook of the Fund**

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

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

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

• **Any other matters deemed necessary.**

It is worth noting that during the year 2020/2021 the Salary and Remuneration Commission SRC advised the County Assembly to convert the Car Loan to Car Grant vide SRC/TS/COG/3/61/48/Vol. II(113) which was effected. This was done by granting Kshs 70 million from its fund capital to pay up the grant as directed by the Government through SRC. At the time of awarding the grant most of MCAs had paid back their mortgage loans.

• **A conclusion**

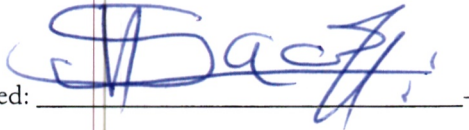
The fund has continued to exercise its mandate of ensuring that the MCAs get car and Mortgage loans at affordable interest rates to facilitate them in their legislative, oversight and representation roles.

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This facilitation has a positive motivation effect on MCAs who have been able to serve the citizen in an efficient way.

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

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



**Hon. Peter Nyaga Muriithi**

**Chairman - Car Loan and Mortgage Committee**

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**5. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the County Assembly of Embu Mortgage and Car loan Fund financial statements for the 12 months ended 30<sup>th</sup> June, 2022. The financial statements present the financial performance of the fund over the past twelve months. Its worth noting that the fund started in 2013/2014 and has continued disbursing loans to the Members of the County Assembly at very low monthly interest rates of 3% of to facility them to buy cars and construct residential houses.

The only major financial change in the fund was that in February 2021 the Salaries and Remuneration Commission through circular No. And in line with a Presidential order, the president commuted part of the fund as a grant which was granted to the members. Kshs 70,000,000 was drawn from Capital fund to cater for reimbursement of Kshs 2,000,000 per Honorable Member and 4,000,000 for the Honorable Speaker. The grant also attracted a tax Kshs. 600,000 per member and 2,000,000 for the Hon Speaker totaling to Kshs. 21,000,000 which was paid to Kenya Revenue Authority from the Fund. By 30<sup>th</sup> June 2022, Kshs. 13,291,120 of that tax payment had been recovered from the Members and the balance of Kshs. 7.795,400 recovered in July 2022 and ploughed back to the fund.

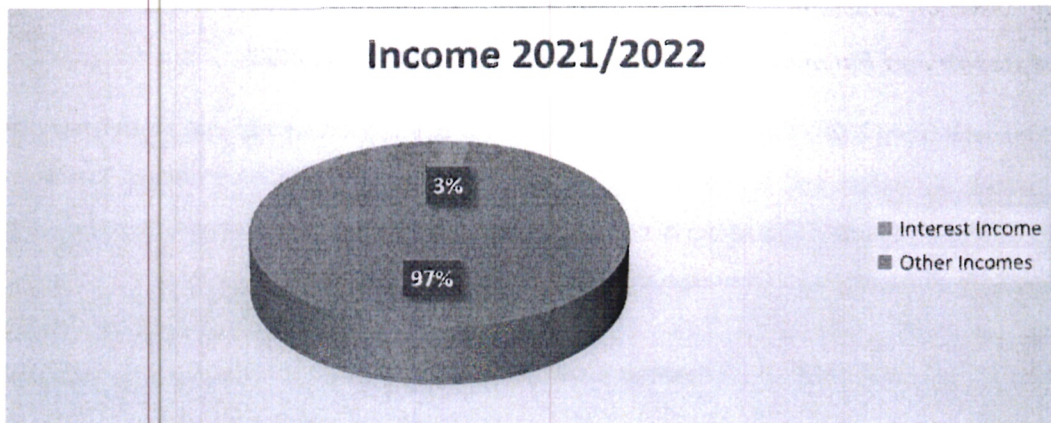
**The budget performance**

The fund was established and started with an initial amount of Kshs **165,000,000** which was deposited at Family bank Embu Branch. However as earlier indicated Kshs 70,000,000 was awarded as Car Grant in the February 2021as per SRC circular. An amount of Kshs **21,000,000** has been recovered from members in relation to the car grant.

**Incomes**

The fund raised interest income of Kshs **565,898** and other income of Kshs **21,086,520** being amount recovered from members in relation to tax on the car grant that had been paid to Kenya Revenue Authority on behalf of members in the current financial year leading to a total income of Kshs **21, 652,418** for the twelve months ended 30<sup>th</sup>June2022.

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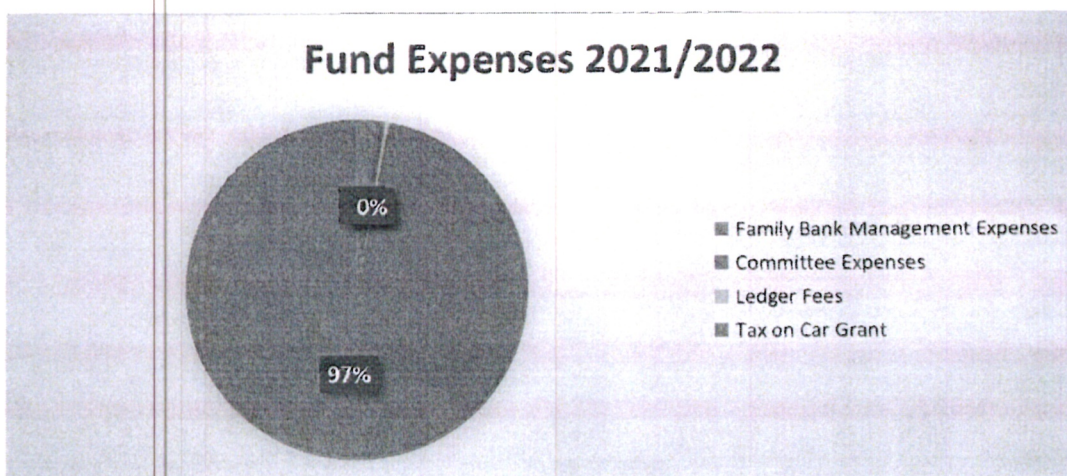


**Fund Expenses**

During the year the Fund had total expenses of Kshs. 21,646,100 broken down into the following expenditure votes

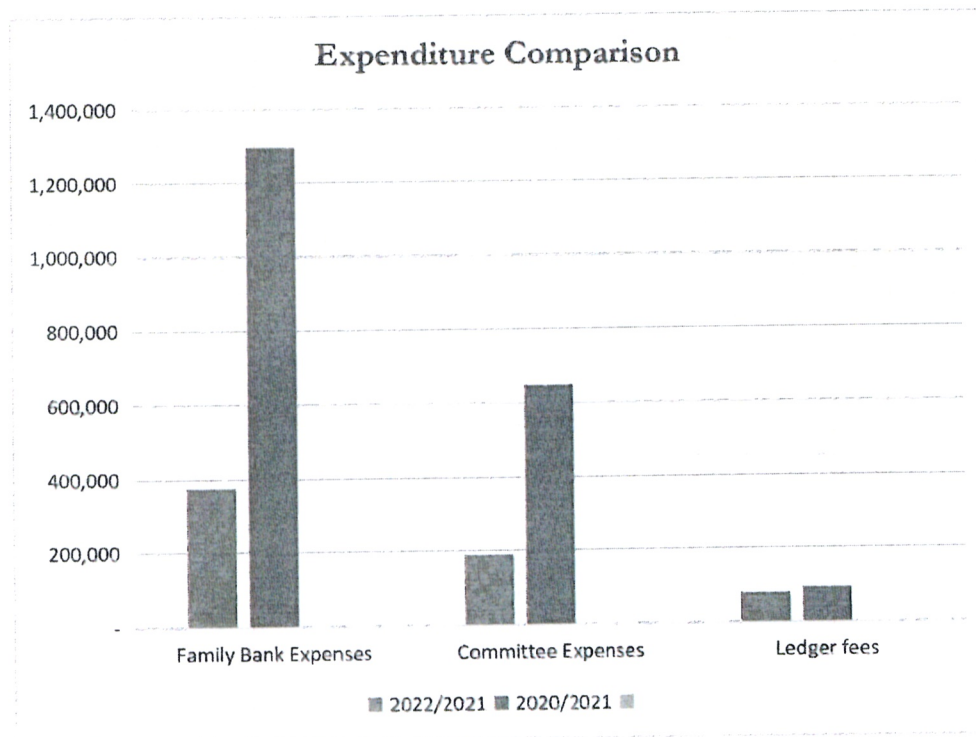
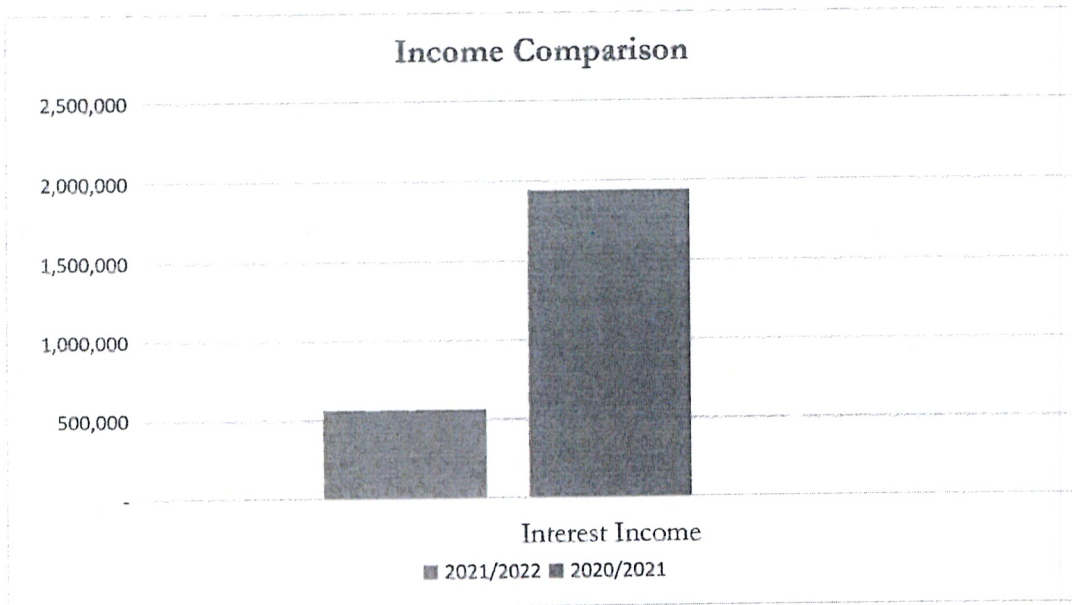
- a) Family Bank Management expense - Kshs. 377,266
- b) Committee Expenses - Kshs. 188,633
- c) Ledger Fees - Kshs 80,080
- d) Tax on Car Grant Kshs - Kshs. 21,000,000
- e) Bank Charges - Kshs. 122

The surplus for the year was Kshs 6,318.



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In Comparison with 2020/2021 Revenues and expenses reduced drastically due to the fact that the Main income is interest and is based on a reducing balance. Decrease on Principal amount mean reduced Interest income. The same is on the expenses as Family Bank expenses and Committee allowances are all based on Interest earned so they also reduced drastically .



***County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
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During the period of twelve months ended 30<sup>th</sup> June 2022, the MCAs serviced their mortgage loans as was scheduled and all except three of them have fully paid their loans. A new board of trustees have been elected by the newly elected MCAs to hold office for the term 2022 to 2027.

**The outputs and outcomes**

By 1<sup>st</sup> July 2021, all the Members of the County Assembly of Embu (MCAs) had received their mortgages and continued to service the loans as was scheduled. The provision of these loan facilities at a low interest rate has enabled MCAs to move efficiently within the County, live in constructed good homes and hence they are well motivated to effectively perform their roles.

**The implementation challenges.**

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

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

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

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

**Jim G. Kauma**

**Fund Administrator**



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**6. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

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

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

**Progress on attainment of Strategic development objectives**

The County Assembly has achieved its strategic development objective to provide mortgage and car loans at 3% to all honourable members and the Honorable Speaker. The total amount disbursed initially was Kshs. 165,000,000. However in the last financial year, the National Government directed that the Car loan that had been issued to MCAs be converted to car grant and where Kshs 70 Million was paid back to the MCAs.

This has facilitated members in their Legislative representation and oversight roles as they can easily travel from their Wards to the County Assembly offices and other areas when necessary. This has also motivated the members of the County Assembly to work for improved service delivery to citizens

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Car Loans	To facilitate Members of the County Assembly travel efficiently from the wards to County	Efficient movement of MCAs from the wards to Assembly chambers	100% of the members of the County Assembly have received the loans	In the Financial year 2021/2022 members of the county assembly have continued to repay their car loan until they were converted

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<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
	Assembly of Embu			to car benefits
Mortgages	To support members of the county assembly construct descent houses	Construction of descent houses for the members of the County Assembly	100% of MCAs have now constructed decent houses	By the end of financial year 2021/2022 all members except three had fully repaid their mortgage loans.

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**7. CORPORATE GOVERNANCE STATEMENT**

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

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

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

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

The attendance of the meeting has been good and the Committee was able to hold 4 meetings as at the 30<sup>th</sup> June 2022. Almost every member attended the meetings when convened.

- **Succession plan,**

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

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

A new board have now be reconstituted to hold office for the period 2022 to 2027 term of the Assembly.

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

Currently the fund has not developed a service charter.

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

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

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

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

-Considerations of application of loans by MCAs

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

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

- **Induction and training.**

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

- **Board and member performance,**

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

- **Conflict of Interest,**

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

- **Board/Trustee Remuneration,**

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

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

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

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

Have several sub headings to be done

**OPERATIONAL PERFORMANCE AND FINANCIAL PERFORMANCE**

The Committee was able to conduct 3 meetings in the year 2021-2022

A summary of those meetings conducted in the financial year 2021-2022 was as follows

<b>Date</b>	<b>Main Agenda</b>	<b>Resolution/Remarks</b>
28/07/2021	Adoption of the previous minutes and discussion of Monthly report for July.	Members discussed the previous report and noted that the loans have continued to service their loans as expected.
12/08/2021	Consideration and approval of 2020/2021 financial statements	The Financial statements for 2020/2021 Approved.
19/01/2022	Consideration and payment of allowances for the year 2021 meetings.	Committee allowances for 2021 be paid.
28/7/2022	Consideration of 2021/2022 financials.	2021/2022 financial statements approved.

In the year under review the fund earned an Interest income of Kshs **565,898** in the financial year 2021/2022 as compared to Kshs **1,943,928** in the year 2020/2021 the decrease in interest income by **71.04%** was a result of reduced loan balances The fund administration expenses to Family Bank decreased to **377,266** from **1,295,952** a decrease of **71.04%** while the committee allowances reduced to **188,633** in the financial 2021/2022 as compared to Kshs **647,976** in the year 2020/2021 Ledger Fees reduced to **Kshs. 80,080** as most loans were fully repaid. An amount of Kshs **21,086,520** was recovered from MCAs as Tax paid to KRA on behalf of members in regard to the refunds made to MCAs when the car loan was converted to car grant in the last financial year.

Finally, the fund realised a surplus of Kshs 6,318 in the year 2021/2022 from a deficit of Kshs **70,095,040** made in the financial year 2021/2022.

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NB: The Salaries and Remuneration Commission vide Circular: **SRC/TS/COG/3/61/48 VOL. II (113)** dated **9<sup>th</sup> February, 2021** advised that the Car Loan facility to Members of County Assembly (MCAs) be converted into to a Car Grant which was done in the last financial year. In the in the financial year 2021/2022, Kshs **21,000,000** was recovered from the members as refund for tax that had been on their behalf to Kenya revenue Authority by the fund as a result of conversion of car loan to car grant.

- a. **Entity's key projects or investments decision implemented or on-going-** The fund has no on-going project nor has it made any investment decision.

**Fund's compliance with statutory requirements,** the statutory matters are catered for by the county assembly of Embu and there are no material statutory arrears.

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**9. ENVIROMENTAL AND SUSTAINABILITY REPORTING**

**1. Sustainability strategy and profile**

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

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

**2. Environmental performance.**

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

**3. Employee welfare**

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

**4. Market place practices**

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

**a) Responsible competition practice.**

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

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

**b) Responsible Supply chain and supplier relations**

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

**c) Responsible marketing and advertisement**

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

**d) Product stewardship.**

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

**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022**

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

**5. Community Engagements.**

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

**10. REPORT OF THE TRUSTEES**

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

**Principal activities**

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

**Results**

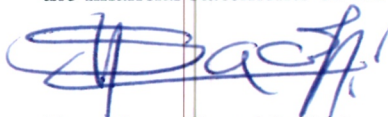
The performance of the Fund for the year ended June 30, 2022, are as set out on page 1 to 5

**Trustees**

Having gone through the General elections on 8<sup>th</sup> August 2022, there was reorganization of the Committee and almost all the members of the Committee who served during the financial year under audit were never reelected and rather the committee has new membership as indicated from page Roman vii to Roman x. These are the members of the committee that will run the fund in the next 5 years.

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. For the year ended 30<sup>th</sup> June, 2022 the Office of the Auditor General through the Eastern Hub conducted the Audit of the of the reports and the financial statements of the fund



Hon. Nyaga Peter Muriithi

**Chair of the Board.**

Date: 14/12/2022.

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022*

**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 Section 116 of the Public Finance Management Act and supplemented by SRC Circular No. SRS/TS/WH/3/14 of 14<sup>th</sup> February 2014 of the Public Finance Management Act, 2012

The Administrator who is the Clerk to the County Assembly is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the fund;
- v. Applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

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

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

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

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022*

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 14/12, 2022 and signed on its behalf by:



Name: Jim G. Kauma

Administrator of the County Assembly of Embu

Mortgage and Car Loan Fund

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

---

### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund set out on pages 1 to 28, which comprise

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*Report of the Auditor-General on County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2022*

the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Non-Submission of Financial Statements for Previous Years**

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

In the circumstances, it has not been possible to confirm the source and accuracy of the opening balances for the year under review.

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

### **2. Unbalanced Statement of Financial Position**

The statement of financial position as at 30 June, 2022 reflects a balance of Kshs.95,630,580 in respect to net assets and net financial position. However, a recast of the net financial position gives Kshs.95,166,402 resulting to a variance of Kshs.464,178 which was not explained. Further, the net financial balance of Kshs.95,630,580 differs with the total equity balance of Kshs.165,493,263 reflected in statement of changes in net assets resulting to an unexplained variance of Kshs.69,862,683.

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

### **3. Inaccurate Revolving Fund**

The statement of financial position and as disclosed in Note 12 to the financial statements reflects revolving fund balance of Kshs.165,000,610 which differs with statement of changes in net asset balance of Kshs.165,487,304 resulting to unexplained variance of Kshs.486,694. Further, Note 12 to the financial statements on revolving fund reflects

unsupported prior year adjustments of Kshs.486,693 which was not supported with a journal, narration and supporting documents.

In the circumstances, the accuracy of the revolving fund balance could not be confirmed.

#### **4. Inaccurate Accumulated Deficit**

The statement of financial position and as disclosed in Note 13 to the financial statements reflects accumulated deficit of Kshs.69,602,209 which differs with accumulated surplus of Kshs.6,318 reflected in statement of changes in net assets resulting to unexplained variance of Kshs.69,608,527.

In the circumstances, the accuracy of accumulated deficit could not be confirmed.

#### **5. Unsupported Prior Year Adjustment**

The statement of financial position and as disclosed in Note 14 to the financial statements reflects prior year adjustments of Kshs.231,999 which includes adjustment of Kshs.486,693, suspense account of Kshs.137,089 and differences in June, 2020 prepayments of Kshs.117,605 which were not supported with journal entries, narrations and supporting source documents.

In the circumstances, the accuracy of the prior year adjustments balance of Kshs.231,999 could not be confirmed.

#### **6. Inaccurate Statement of Changes in Net Assets**

The statement of changes in net assets reflects accumulated surplus balance as at 30 June, 2022 of Kshs.6,318 while the recomputed balance amount to accumulated deficit of Kshs.70,088,722 resulting to a variance of Kshs.70,095,040.

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

#### **7. Inaccurate and Unsupported Balances in the Statement of Cash Flows**

The statement of cash flows includes receipts from operating activities of Kshs.13,291,120, fund administration expense of Kshs.1,734,473, committee expenses of Kshs.330,500 and proceeds from principal loan repayments of Kshs.47,819,873 which were not supported.

Further, the following inaccuracies relating to the balances reflected in statement of cash flows were also noted:

##### **i) Unsupported Differences in Proceeds from Principal Loan Repayments**

The statement of cash flows reflects proceeds from loan principal repayments of Kshs.47,819,780 which differs with Annex 2 and Annex 3 to the Management response which reflects principal repayment of Kshs.40,320,479 resulting to a difference of Kshs.7,499,301.

## **ii) Unsupported Differences in Receipts from Other Operating Activities**

The statement reflects receipts from other operating activities of Kshs.13,291,120 while the statement of financial performance reflects total receipts of Kshs.21,652,418 resulting to a difference of Kshs.8,361,298.

## **iii) Unsupported Differences in Fund Administration Expenses**

The statement reflects fund administration expenses amount of Kshs.1,734,473. The accrued management fees brought forward was Kshs.1,429,415 and the expense for the year was Kshs.377,266 while Kshs.1,734,473 was paid resulting to a balance carried down of Kshs.72,208 which differs with accrued management fees of Kshs.5,163 reflected in Note 11 to the financial statements by Kshs.67,045.

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

## **8. Unsupported Original and Final Budget Balances and Lack of Approved 2021/2022 Budget**

The statement of comparison of budget and actual amounts reflects total original and final budgeted receipts and expenditure of Kshs.21,652,418 which were not supported with approved budget. This is contrary to Section 129(3) and (4) of the Public Finance Management Act, 2012 which states that each County Assembly Clerk shall prepare and submit to the County Assembly the budget estimates for the County Assembly and a copy shall be submitted to the County Executive Committee Member for Finance and that County Executive Committee Member for Finance shall prepare and present his or her comments on the budget estimates presented by the County Assembly Clerk.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

## **9. Unsupported Other Income**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects other income of Kshs.21,086,520 which was not supported.

In the circumstances, the accuracy and completeness of other income of Kshs.21,086,520 could not be confirmed.

## **10. Inaccuracy in the Current Receivable**

The statement of financial position and as disclosed in Note 9 to the financial statements reflects current receivable balance of Kshs.8,955,393 which further includes adjustment of Kshs.594,620 that was not supported.

Further, Note 9 to the financial statements reflects June, 2022 remittance of Kshs.476,384 but the IPPD by product provided reflects Kshs.565,373 resulting to unreconciled variance of Kshs.118,236.

In the circumstances, the accuracy and completeness of current receivable balance of Kshs.8,955,393 could not be confirmed.

## **11. Unsupported Long-Term Receivable**

The statement of financial position and as disclosed in Note 10 to the financial statements reflects long term receivables from exchange transactions balance of Kshs.746,059 which was not supported.

Further, the long-term receivables decreased by Kshs.42,937,535 from Kshs.43,683,644 reflected in 2020/2021 financial statements. However, the decrease of Kshs.42,937,585 varies with proceeds from principal loan repayments of Kshs.47,819,780 reflected in statement of cash flows resulting to unreconciled difference of Kshs.4,882,195.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transaction balance of Kshs.746,059 could not be confirmed.

## **12. Unsupported Accounts Payables**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects accounts payable - deposit and retention balance of Kshs.1,185,861 which includes accrued Management fees of Kshs.5,163 which was not supported with ledgers, invoices, committee meeting attendance registers and schedules of unpaid allowances.

In the circumstances, the accuracy and completeness of the balance of Kshs.1,185,861 could not be confirmed.

## **13. Exceeding Membership of Car Loan and Mortgage Scheme Management Committee**

The report of Fund Administration Committee attached to the financial statements for the year ended 30 June, 2022 indicates that the Committee had 12 members contrary to Section 6(2) of Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2019 which provides the maximum number of committee members as ten (10). No authority was provided for having the additional two members of the Committee.

The appointing Authority was therefore in breach of the law.

## **14. Previous Year Audit Issues**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, some issues remained unresolved contrary to Section 149(2)(l) of Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have

not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Disclaimer of Opinion of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 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 Management is aware of the intention to terminate 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 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**

My responsibility is to conduct an audit of the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund financial statements in accordance with International

Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**19 May, 2023**

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022**

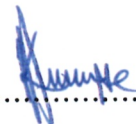
**13. Statement of Financial Performance for the Year ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>RECEIPTS</b>			
Interest Income	1	565,898	1,943,928
Other Incomes	2	21,086,520	
<b>TOTAL RECEIPTS</b>		<b>21,652,418</b>	<b>1,943,928</b>
<b>PAYMENTS</b>			
Family Bank Management Expenses	3	377,266	1,295,952
Committee Expenses - Sitting Allowances	4	188,633	647,976
Ledger fees	5	80,080	95,040
Tax on Car Grant	6	21,000,000	
Bank Charges	7	122	
Car Grant			70,000,000
<b>TOTAL PAYMENTS</b>		<b>21,646,100</b>	<b>72,038,968</b>
<b>SURPLUS/DEFICIT</b>		<b>6,318</b>	<b>(70,095,040)</b>

The financial statements were approved on 14/12 2022 and signed by:



Jim G Kauma  
Fund Administrator

  
.....  
Kamau Wachiuri  
Fund Accountant  
ICPAK No. 8192

*County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund*  
*Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022*

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>CURRENT ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8	87,114,990	49,069,184
Current Portion of receivables from exchange transactions	9	8,955,393	4,068,850
<b>TOTAL CURRENT ASSETS</b>		<b>96,070,383</b>	<b>53,138,034</b>
<b>NON CURRENT ASSETS</b>			
Long term receivables from exchange transactions	10	746,059	43,683,644
<b>TOTAL NON CURRENT ASSETS</b>		<b>746,059</b>	<b>43,683,644</b>
<b>TOTAL ASSETS</b>		<b>96,816,442</b>	<b>96,821,678</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payables – Deposits and Retention	11	1,185,861	1,429,415
<b>Total</b>		<b>1,185,861</b>	<b>1,429,415</b>
<b>TOTAL ASSETS</b>		<b>95,630,580</b>	<b>95,392,263</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	12	165,000,610	165,487,303
Accumulated Surplus/Deficit	13	(69,602,209)	(70,095,040)
Prior Year Adjustments	14	(231,999)	
<b>NET FINANCIAL POSITION</b>		<b>95,630,580</b>	<b>95,392,263</b>

The explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 14/12/2022 and signed by:

.....  
**Jim G. Kauma**  
**Fund Administrator**

.....  
**Fund Accountant**  
**Kamau Wachiuri**  
**ICPAK No. 8192**

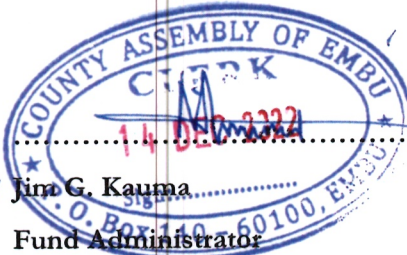
**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund**  
**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022**

**15. Statement of Changes in Net Assets for the year ended 30th June 2022**

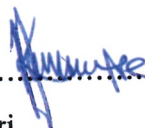
	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs.	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2020	165,487,304	-		165,487,304
Surplus/(Deficit) for the period			(70,095,040)	(70,095,040)
Balance as at 30 <sup>th</sup> June 2021	165,487,304	-	(70,095,040)	95,392,264
Balance as at 1st July 2021	165,487,304		(70,095,040)	95,392,264
Surplus/(deficit) for the period		-	6,318	6,318
Balance as at 30 <sup>th</sup> June 2022	165,487,304		6,318	165,493,622

The accounting policies and explanatory notes to these financial statements form an integral part of

The financial statements. The financial statements were approved on 14/12/2022 and signed by:



**Jim G. Kauma**  
Fund Administrator




.....  
**Kamau Wachiuri**  
Fund Accountant  
ICPAK membership No. 8192


**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund**  
**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022**

**16. Statement of Cash Flows for the year ended 30th June 2022**

	NO TES	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received			1,715,491
Receipts from other operating activities		13,291,120	223,652
<b>Total receipts</b>		<b>13,291,120</b>	<b>1,939,143</b>
Fund administration expenses		1,734,473	870,293
General expenses -committee expenses		330,500	925,400
Finance cost- Ledger fees			
- Bank charges	7	122	
Other payments-Tax on car grant	6	21,000,000	
<b>Car grant</b>		<b>0</b>	
<b>Total payments</b>		<b>23,065,095</b>	<b>1,795,693</b>
<b>Net cash flows from operating activities</b>		<b>(9,773,975)</b>	<b>143,450</b>
<b>Adjusted for</b>			
Increase in receivables			(3,845,198)
Increase/(Decrease) in Payables			827,209
<b>Net Cashflows from operating Activities</b>			<b>(3,017,989)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		47,819,780	45,777,932
<b>Net cash flows used in investing activities</b>		<b>47,819,780</b>	<b>45,777,932</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0	(70,000,000)
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>(70,000,000)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalent</b>		<b>38,045,805</b>	<b>(27,096,607)</b>
Cash and cash equivalents at 1 July 2021		49,069,184	76,165,791
<b>Cash and cash equivalents at 30 June 2022</b>	<b>8</b>	<b>87,114,990</b>	<b>49,069,184</b>

The explanatory notes to these financial statements form an integral part of the financial statements.  
 The Financial Statements were approved on 14/12/2022 and signed by:

 **Jim G. Kauma**  
 Fund Administrator

 **Kamau Wachiuri**  
 Fund Accountant  
 ICPAK No. 8192

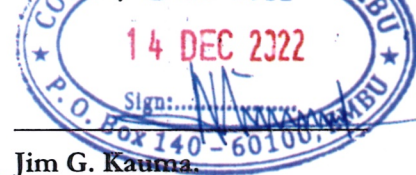
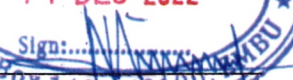
County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund

Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2022


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

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilization difference
	2022	2022	2022	2022	2022	
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>		<b>KShs</b>
Treasury/Exchequer Releases			-			
Interest Income	565,898		565,898	565,898	0	100.00%
Other Receipts (Funds in Bank)	21,086,520		21,086,520	21,086,520	0	100.00%
<b>TOTAL</b>	<b>21,652,418</b>	<b>-</b>	<b>21,652,418</b>	<b>21,652,418</b>	<b>0</b>	<b>100.00%</b>
<b>PAYMENTS</b>			-		-	
Family Bank Management Fees	377,266		377,266	377,266	0	100.00%
Committee Sitting Allowances	188,633		188,633	188,633	0	100.00%
Ledger Fees	80,080		80,080	80,080	0	100.00%
Tax on Grant	21,000,000		21,000,000	21,000,000	0	100.00%
Finance Costs	6,440		6,440	122	6,318	1.89%
Total payments	21,652,418	-	21,652,418	21,646,100	6,318	99.97%
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,318</b>		

The entity financial statements were approved on 14/12 2022 and signed by:


  
 Sign: 

**Jim G. Kauma**  
**Fund Administrator**


  
**Kamau Wachiuri**  
**Fund Accountant**  
**ICPAK No. 8192**

**County Assembly of Embu Car Loan and Mortgage (Members) scheme Fund**  
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**18. Notes to Financial Statements**

**1. General Information**

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

**2. Statement of compliance and basis of preparation**

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

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

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41: Financial Instruments</b>	<b>Applicable: 1<sup>st</sup> January 2023:</b> 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.

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Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial</p>

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Standard	Effective date and impact:
	instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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

**4 SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

Transfers from other government entities

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of zero amounts on the FY 2021-2022 budget following the governing body's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to

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amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 17 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables,

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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.

#### **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)

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*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.

**f) Inventories**

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

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

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

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

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

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

**g) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

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**h) Nature and purpose of reserves**

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

**i) Changes in accounting policies and estimates**

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

**j) Employee benefits – Retirement benefit plans**

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

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

**k) Foreign currency transactions**

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

**l) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed

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and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**m) Related parties**

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

**n) Cash and cash equivalents**

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

**o) Comparative figures**

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

**Events after the reporting period**

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

**p) Ultimate and Holding Entity**

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

**q) Currency**

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

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

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

**a) Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The County Assembly of Embu 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 Assembly. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. In the Financial year ending 30<sup>th</sup> June 2022 the Assembly made no provisions.

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**6. Notes to the Financial Statements**

<b>1 INTEREST INCOME</b>				
			<b>2021-2022</b>	<b>2020-2021</b>
	<b>Date</b>		<b>Kshs</b>	<b>Kshs</b>
	Jul	Interest Income	99,715.08	214,160
	Aug	Interest Income	90,114.83	204,846
	Sep	Interest Income	80,490.59	195,508
	Oct	Interest Income	70,842.28	185,643
	Nov	Interest Income	61,169.85	176,258
	Dec	Interest Income	50,658.60	166,849
	Jan	Interest Income	40,935.71	157,416
	Feb	Interest Income	31,188.51	147,960
	Mar	Interest Income	21,416.95	138,178
	Apr	Interest Income	11,620.96	128,674
	May	Interest Income	4,696.97	119,146
	Jun	Interest Income	3,047.94	109,291
		<b>Total</b>	<b>565,898</b>	<b>1,943,928</b>

<b>2 OTHER INCOME</b>				
	September	Tax Recovery	5,250,000	-
	December	Tax Recovery	1,700,000	-
	February	Tax Recovery	4,641,120	-
	June	Tax Recovery	1,700,000	-
		Tax Recovery	7,795,400	-
		<b>Sub Total</b>	<b>21,086,520</b>	

<b>3 FAMILY BANK MANAGEMENT EXPENSES</b>				
			<b>2021-2022</b>	<b>2020-2021</b>
	<b>Date</b>	<b>Details</b>	<b>Kshs</b>	<b>Kshs</b>
	Jul	Management Expenses	66,477	142,773
	Aug	Management Expenses	60,077	136,564
	Sep	Management Expenses	53,660	130,339
	Oct	Management Expenses	47,228	123,762
	Nov	Management Expenses	40,780	117,505
	Dec	Management Expenses	33,772	111,232
	Jan	Management Expenses	27,290	104,944

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	Feb	Management Expenses	20,792	98,640
	Mar	Management Expenses	14,278	92,119
	Apr	Management Expenses	7,747	85,782
	May	Management Expenses	3,131	79,431
	Jun	Management Expenses	2,032	72,861
		<b>TOTAL</b>	<b>377,266</b>	<b>1,295,952</b>

<b>4 COMMITTEE EXPENSES</b>				
			<b>2021-2022</b>	<b>2020-2021</b>
			<b>Kshs</b>	<b>Kshs</b>
	Jul	Committee Allowances	33,238	71,387
	Aug	Committee Allowances	30,038	68,282
	Sep	Committee Allowances	26,830	65,169
	Oct	Committee Allowances	23,614	61,881
	Nov	Committee Allowances	20,390	58,753
	Dec	Committee Allowances	16,886	55,616
	Jan	Committee Allowances	13,645	52,472
	Feb	Committee Allowances	10,396	49,320
	Mar	Committee Allowances	7,139	46,059
	Apr	Committee Allowances	3,874	42,891
	May	Committee Allowances	1,566	39,715
	Jun	Committee Allowances	1,016	36,430
		<b>Total</b>	<b>188,633</b>	<b>647,976</b>
		<b>Accrued Committee Allowances</b>		<b>277,424</b>
		<b>Grand total</b>		<b>925,400</b>
<b>5 LEDGER FEES</b>				
			<b>2021-2022</b>	<b>2020-2021</b>
			<b>Kshs</b>	
	Jul	Ledger fees	7,920	7,920
	Aug	Ledger fees	7,920	7,920
	Sep	Ledger fees	7,920	7,920
	Oct	Ledger fees	7,920	7,920
	Nov	Ledger fees	7,920	7,920
	Dec	Ledger fees	7,920	7,920
	Jan	Ledger fees	7,920	7,920
	Feb	Ledger fees	7,920	7,920
	Mar	Ledger fees	7,920	7,920
	Apr	Ledger fees	7,920	7,920
	May	Ledger fees	660	7,920
	Jun	Ledger fees	220	7,920
		<b>Total</b>	<b>80,080</b>	<b>95,040</b>

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6. TAX ON CAR GRANT		2021-2022	2020-2021
		Kshs	Kshs
4 <sup>th</sup> October 2021	Transfer to KRA	21,000,000	0
	<b>Total</b>	<b>21,000,000</b>	<b>0</b>

7 Bank Charges		2021-2022	2020-2021
		Kshs	Kshs
4 <sup>th</sup> Oct 2021	Bank Charges on transfer to KRA	122	0
	<b>Total</b>	<b>122</b>	<b>0</b>

8 CASH AND BANK BALANCES			
Name of Bank, Account Number			
		2021-2022	2020-2021
		Kshs	Kshs
Car and Mortgage	Acc - 075000028013	87,104,952	48,125,345
CAE Interest	Acc - 070000042338	10,038	943,839
	<b>Total</b>	<b>87,114,990</b>	<b>49,069,184</b>

9 RECEIVABLES		2021-2022	2020-2021
		Kshs	Kshs
May Remittances		683,609	4,068,850
June Remmittance		476,384	
Unrecovered Tax		7,795,400	
	<b>Total</b>	<b>8,955,393</b>	<b>4,068,850</b>

10 LONG TERM RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Outstanding Loans			
NAME		2021-2022	2020-2021
		Kshs	Kshs
Agnes Wanjiru Gakungu		-	1,100,017
Bernard Nyaga Kandia		-	1,100,017
Duncan Ireri Mbui		-	1,100,017
Ednah Kanini Muisyo		-	1,100,017
Fredrick Mugendi Gatumu		-	1,100,017
John Gichovi Gatumu		-	1,100,017
Jane Ann Muthoni Murithi		-	1,100,017
Judy Mbuya Njue		-	1,100,017
Kisingu John Harrison		-	1,100,017
Margaret Lorna Kariuki		-	1,100,017
Michael Njeru Kariuki		-	1,100,017

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Morris Muchiri Nyaga	-	1,100,017
Murithi Njagi Kiura	-	1,100,017
Patrick Njeru Mukavi	-	1,100,017
Patrick Rugendo Ileri	-	1,100,017
Paul Muchangi Njiru	-	1,100,017
Peter Muriithi Nyaga	-	1,100,017
Robert Njiru Ileri	-	1,100,017
Rose Ruguru Kinyua	-	1,099,950
Salesio Njeru Kimaru	-	1,100,017
Sisily Ruguru Njiru	-	1,100,017
Sicily Warue Mbugi	-	1,100,017
Steve Munene Mugendi	-	1,100,017
Elizabeth Ndeleve Kibai	-	928,323
Newton Kariuki Ndwiga	-	878,115
John Ngari Mbaka	-	883,833
Nathan Kariuki	-	1,106,652
Edith Wanjira Nyaga	-	1,053,147
Martin Mwangi Kimani	-	1,062,003
Philip Kinyutu Nzangi	-	1,062,003
Terry C Wanja Mbuchi	-	1,062,003
Masters Leonard Mwaniki	-	894,620
Harrison Sammy Muturi	-	1,120,641
Josiah Muriithi Thiriku	746,059	5,866,433
Polly Kagendo Njagi	-	1,232,773
Patrick Njeru Nyaga	-	1,232,773
	<b>746,059</b>	<b>43,683,644</b>

<b>11</b>	<b>Accounts Payables</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	Accrued Management fees	5,163	1,429,415
	Accrued Ledger Fees	880	-
	Accrued Committee Allowances	2,581	-
	Overpaid Loans	1,177,237	
	<b>Total</b>	<b>1,185,861</b>	<b>1,429,415</b>

<b>12</b>	<b>REVOLVING FUND/FUND BALANCE BROUGHT FORWARD</b>		
		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
	<b>Balance</b>	<b>165,487,303</b>	<b>165,831,140</b>
	Deficit		(343,387)
	Prior Year Adjustments (Note 14)	(486,693)	
	<b>30th June 2021</b>	<b>Balance C/d</b>	<b>165,000,610</b>
			<b>165,487,753</b>

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<b>13 ACCUMULATED SURPLUS/(DEFICIT)</b>			
	Surplus 2019	830,530	
	Deficit 2020	(343,837)	
	Deficit for the year 2021	(70,095,040)	
	Surplus 2022	6,318	
	<b>Balance C/d</b>		<b>(69,602,029)</b>

<b>14 PRIOR YEAR ADJUSTMENTS</b>			
	Revolving Fund C/d Reported 30th June 2020		165,487,303
	Actual Revolving Fund		165,000,610
	<b>Adjustment</b>		<b>486,693</b>
	Reported Prepayments June 2020	238,490	
	Actual Prepayments	356,095	
			(117,605)
	Suspense Account 2019		(137,089)
		<b>Total</b>	<b>231,999</b>

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**19. Progress on Follow up of the Prior Year Auditor’s Recommendations**

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

Ref No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame:
1.	<p><b>Non - Submission of Financial Statements for Previous years</b></p> <p>As reported in the previous period, the Fund commenced operations in June, 2014. During this period (2014-2018), the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund operated as two distinct Funds namely ‘Car Loan Fund’ and ‘Mortgage Scheme Fund’ with each Fund having its own distinct regulations both enacted in 2014. However, the financial statements of the two Funds for the financial years 2014/2015 to 2017/2018 were not submitted to the Auditor-General contrary to Section 47(1) of the Public Audit Act 2015, which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.</p> <p>However, in the absence of the previous years’ financial statements, the source and accuracy of the opening</p>	<p><b>Its true that the Assembly was unable to prepare financial statements for the period 2014-2018 (1<sup>st</sup> Assembly). This was occasioned by the arrangements that the Assembly entered into with Family Bank as the managers of the Fund and the fact that the Bank did not prepare the Financial Statements but by the end of the first Assembly all the loans issued to members amounting to Kshs. 165,000,000 were fully repaid.</b></p> <p><b>Its the interest and the request of the Assembly to engage the Office of the Auditor General so that we can scrutinize the opening balances in the second Assembly so that they can be verified and sort this issue fully.</b></p>	Not Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame:
	balances reflected in the financial statements for the year under review could not be ascertained.			
2.	<p><b>Unbalanced Statement of Financial Position</b></p> <p>The statement of financial position as at 30 June, 2021 reflects Kshs.95,652,131 in respect to total assets. However, the same statement reflects Kshs.95,736,100 in respect to net financial position resulting to unexplained variance of Kshs.83,969 in respect to statement of financial position whereby the total assets should balance with total liabilities and reserves.</p> <p>Further, the statement of financial position reflects Kshs.95,736,100 in respect to net financial position. However, the statement of changes in net assets reflects a total equity of Kshs.95,392,264 resulting to unexplained and unreconciled variance of Kshs.343,836. Also, management did not avail a trial balance for audit review.</p> <p>In the circumstances, the accuracy, completeness and validity of the statement of financial position as at 30 June, 2021 could not be confirmed.</p>	<p><b>The errors was rectified in the Amended Financial Statements 2020/2021</b></p>	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame:
3.	<p>Late Submission of 2020/2021 Financial Statements</p> <p>The financial statements for the year ended 30 June 2021 were submitted to the Office of the Auditor General on 22 October 2021, approximately twenty-two (22) days after the statutory deadline of 30 September 2021 contrary to Section 47 (1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. However, management have not given a valid reason for non-compliance with the law.</p>	<p>Corona virus disease covid 19 was first confirmed in Kenya on 12<sup>th</sup> March 2020. The disease disrupted normal operations in almost all public places.</p> <p>Embu Assembly covid cases increased in the month of July and August 2021 as result operations at Embu county Assembly were halted and the offices were closed on 19<sup>th</sup> August 2021 as a containment measure.</p> <p>The main reason for delays in submission of the Financial Statements was that on 19<sup>th</sup> August 2021 the operations of the County Assembly were halted due to cases of Covid - 19 and resumed back on 7<sup>th</sup> October 2021. During the lock down it became very hard to coordinate the preparation of the Financial Statements</p>	Resolved	
4.	<p><b>Accuracy of the Statement of Comparison of Budget and Actual Amounts</b></p> <p>The statement of comparison of budget and actual amounts reflects Kshs.43,322,350 in respect to total actual receipts while a recast gives Kshs.42,046,668</p>	<p>The Casting errors and the notes were rectified in the Amended financial statements.</p>	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame:
	resulting to a variance of Kshs.1,275,682. Further, the statement reflects total original expenditure budget of Kshs.2,038,891 while recast gives Kshs.2,038,968 resulting to a variance of Kshs.77. In addition, the statement contains budget notes which indicate Kshs.43,322,350 and Kshs.7,063,446 which are not accurate.			
5	<p><b>Long Term receivables from Exchange Transactions</b></p> <p>Note 8 to the financial statements reflects Kshs.43,683,644 in respect to long-term receivables from exchange transactions. However, the amortization schedule supporting the loan balance availed for audit review reflects Kshs.39,886,032 in respect to amortization of the outstanding loans resulting to variance of Kshs.3,797,612.</p>	<p>The Variance of Kshs 3,797,612 accruing in the FY 2019-2020 was monthly remittances for the month of June 2020 which had not been paid. It was paid in July of 2020-2021.</p> <p>The same amount had not been paid in June 2021 and hence the difference between Statement of Financial Position and the Amortization schedule in the two financial years.</p>	Resolved	
6.	<p>Irregular Conversion of Car Loan into a Car Grant</p> <p>Examination of records availed for audit review revealed that whereas the SRC Circular had directed that upon conversion, the existing Car Loan shall cease and the</p>	<p>In response to the Presidential directive on issuance of the Car Grant and the subsequent direction by SRC vide Circular the County Assembly Board in the meeting held</p>	Not Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame
	<p>Speaker and Members of County Assembly who had already benefited on the existing car loan shall convert their car loan to Transport Facilitation Benefit in form of a Car Grant, the Speaker and the thirty three (33) Members of County Assembly were directly advanced Kshs.4,000,000 and Kshs.2,000,000 each respectively amounting to Kshs.70,000,000 without clearing the existing car loans as per the implementation guidelines. The speaker and the MCAs therefore benefited twice by retaining the car loans benefit at low interest rate and the car grant paid in form of cash contrary to the SRC guidelines. As at the close of the financial year under review, the existing/outstanding car loan balance reported in the financial statement was Kshs.43,683,644 which ought to have been cleared.</p> <p>Further, there was no evidence to show that the bank was informed of the new arrangement in respect to issuance of car grants and the effect this grant had on the existing car loans to MCAs. Management should have informed the bank of the new development and require that the MCAs clear the car loans using the car grant advanced or the same revert to the market interest rates. In addition, the amount of Kshs.70,000,000 is not reflected in the statement of financial performance for the year ended 30</p>	<p>on ..... approved Kshs. 70,000,000 to be paid to members of the County Assembly as grant. The money was borrowed from the Car and Mortgage Account with the expectation that the money will be refunded back to the account in the following year. The same has been factored in the 2022/23 budget</p>		

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Ref. No.	Issue / Observations from Auditor	Management comments	Status: Resolved/ Not Resolved	Time frame:
	June 2021.			
7.	<p><b>Unsupported Accrued Management fees</b></p> <p>The statement of financial performance reflects Kshs.1,451,198 in respect to trade payables - deposits and retention which includes Kshs.1,435,358 in respect to accrued management fees whose supporting documents including ledgers and details of the accrued expenses were not provided for audit review.</p>	<p>As at 30<sup>th</sup> June 2021 the 2% portion of interest that is paid to Family as Management fees was still outstanding.</p>	Not yet Resolved	
8.	<p><b>Un supported Expenditure on Committee Allowances</b></p> <p>Note 3 to the financial statements reflects Kshs.647,976 in respect to general expenses - committee allowances whose supporting documents including payment vouchers containing details, clear narrations, and particulars of the items to which it related were not provided for audit review. In the circumstances, the accuracy of the Kshs.647,976 expenditure for the year ended 30 June, 2021 could not be ascertained.</p>	<p>Copies of the Payment vouchers and attendance register for the meetings were attached to the responses</p>	Resolved	

  
**Jim G. Kauma**  
 Clerk to the County Assembly

