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REPORT

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ON

NYAMIRA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2020



**NYAMIRA COUNTY EXECUTIVE CAR LOAN & MORTGAGE SCHEME
FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Nyamira County Executive Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

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**Nyamira County Executive Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nyamira County Executive Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 on May 30, 2015. The Fund is wholly owned by the County Government of Nyamira and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.

b) Principal Activities

The Fund's principal activities are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	CPA John Moenga Omanwa	Chairperson
2	CPA Dominic Barare	Administrator/Secretary
3	Muga Peter Omwanza	Member
4	Gladys Bogonko Momanyi	Member
5	Bernard Osumo	Member
6	CPA Benard Bonyi	Member (staff)

d) Key Management

Ref	Name	Position
1	CPA John Moenga Omanwa	County Executive Committee Member, Finance & Economic Planning
2	CPA Dominic Barare	Chief Officer, Finance & Economic Planning
3	CPA Benard Bonyi	Head of Treasury (Accounting)

e) Registered Offices

P.O. Box 434 - 40500
Nyamira County Building
Off Kisii – Chemosit Road
Nyamira, Kenya.

f) Fund Contacts

Telephone: (254)-0738727272, 0735232323

E-mail: info@nyamira.go.ke

Website: www.nyamira.go.ke

g) Fund Bankers

Co-operative Bank of Kenya
Nyamirar Branch
P.O. Box 300 - 40500
Nyamira, Kenya.

h) Independent Auditors

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

i) Principal Legal Adviser

Esther Asati,
Director, Legal Services,
P.O. Box 434-40500,
Nyamira,
Kenya.

**Nyamira County Executive Car Loan & Mortgage Scheme Fund
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**2. 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 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 objective of the Nyamira County Executive Mortgage Scheme Fund is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Nyamira County Executive Mortgage scheme fund	To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.	Increased home ownership by the scheme members	Amount of mortgage loans advanced to scheme members	In FY 2019/2020 Nyamira county executive through the Mortgage scheme fund advanced a further Ksh. 15,000,000 as new loans to the scheme members
Nyamira County Executive Car Loan Scheme fund	To provide a loan scheme for the purchase of vehicles by members of the scheme.	Increased car ownership by the scheme members	Amount of car loans advanced to scheme members	In FY 2019/2020 Nyamira county executive never advanced car loans to its scheme members

3. MANAGEMENT TEAM



Mr. John Moenga Omanwa
*ECM: Finance and Economic
 Planning and Chairperson, Car
 Loan & Mortgage Fund
 Management Committee*
NYAMIRA COUNTY
EXECUTIVE

CPA JOHN MOENGA OMANWA

John Moenga Omanwa who hails from Bonyamatuta ward is the County Executive Committee Member for the department of **Finance and Economic Planning and the Chairperson, Car Loan & Mortgage Fund Management Committee.**

He has a Masters degree in Business Administration (Strategic Management), Bachelors degree in Commerce (Accounting) and a Diploma in Purchasing and Supplies Management. Mr Omanwa is also a CPA (K). Previously, Mr Omanwa worked for the County Government of Nyamira as a County Executive Committee Member in the departments of Finance and Economic Planning (October 2013 to September 2015), Trade, Tourism and Cooperatives Development (September 2015 to January 2017) and TRPW (January to September 2017). He was reappointed as the county executive committee member in charge of TRPW in November 2017, where he served until June 2020. He has a total of 15 years working experience in public service.



Mr. Peter Omwanza Muga
*CECM: Transport, Roads &
 Public Works and Member, Car
 Loan & Mortgage Fund
 Management Committee*
NYAMIRA COUNTY
EXECUTIVE

MR. PETER OMWANZA MUGA

Mr Peter Omwanza Muga who hails from Magwagwa Ward is the County Executive Committee Member for the department of **Transport, Roads and Public Works (TRPW) and a member of the Car Loan and Mortgage Fund Management committee.**

He has a Bachelor of Education (Arts). Mr. Muga served as the County Executive Committee Member in the department of Finance and Economic Planning (November 2017 to June 2020) and as the Chairman, Recruitment and Placement in the County Government of Nyamira's Public Service Board as from October 2013. Previously, he worked as a teacher in various capacities in different schools including: Principal Lecturer at Kericho TTC (2004- September 2013), Principal (1999-2003), Head of Department (1991-1998) and Assistant Teacher.

He has a total of 27 years working experience in public service.

Nyamira County Executive Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020



Ms. Gladys Bogonko Momanyi
ECM: Education And Youth
Empowerment and Member, Car
Loan & Mortgage Fund
Management Committee
NYAMIRA COUNTY
EXECUTIVE

MS GLADYS BOGONKO MOMANYI

Ms Gladys Bogonko Momanyi who hails from Nyansiongo Ward is the County Executive Committee Member for the department of **Education and Youth Empowerment**

Mrs Momanyi, who is currently pursuing a Doctorate of Philosophy in Conflict Analysis and Resolution, is a holder of Masters of Arts in Peace and Justice and a Bachelor of Education (Arts). She also has a Postgraduate certification in Database, GIS and Remote Sensing.

She has worked for the County Government of Nyamira as County Executive Committee Member in three Departments namely; Education & ICT (October 2013-March 2015), Public Administration & Coordination (March-October 2015) and Health Services (November 2015-September 2017). She was then re-appointed to the current position in November 2017.

She has a total of 23 years working experience in public service.



Mr. Benard Mang'aa Osumo
ECM: Public Service Management
and Member, Car Loan &
Mortgage Fund Management
Committee
NYAMIRA COUNTY
EXECUTIVE

MR. BERNARD MANG'AA OSUMO

Mr Bernard Mang'aa Osumo who hails from Nyamaiya Ward is the County Executive Committee Member for the department of **Public Service Management**

He holds a Bachelor of Education (Science) degree and a Diploma in Education Management. Before his appointment to the current position in November 2017, he worked in various capacities in different Secondary Schools among them: Principal (1990 to 2017), Deputy Principal (1987-1989) and Senior HOD. Mr Osumo also performed well in sports in schools where he served.



CPA Dominic Barare Oyugi
Chief Officer, Finance & Planning
and Fund Administrator,
Car Loan and Mortgage Fund
NYAMIRA COUNTY EXECUTIVE

CPA DOMINIC BARARE OYUGI

CPA Dominic Barare Oyugi who hails from Bogichora ward is the **Chief Officer, Finance and planning and the Fund Administrator of the Car Loan and Mortgage Fund.**

He has a Masters degree in Business Administration (Finance), Bachelors degree in Business Administration. CPA Oyugi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Previously, CPA Oyugi worked for the County Government of Nyamira as the Director of Finance and a Deputy Director of Health, Finance and Administration. Before joining the County Government service, CPA Oyugi served as a Regional Accountant for Kenya Rural Roads Authority (KERRA)

He has a total of 18 years working experience.



CPA Benard Osoro Bonyi
Head of Treasury(Accounting) and
Member,
Car Loan and Mortgage Fund
Management Committee
NYAMIRA COUNTY EXECUTIVE

CPA BENARD OSORO BONYI

CPA Benard Osoro Bonyi is the **Head of Treasury (Accounting) and a member of the Car Loan and Mortgage Fund Management committee.**

He has a Masters degree in Business Administration (Finance) from the University of Nairobi, Bachelors degree in Business Management (Finance and Banking) from Moi University. CPA Bonyi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and has done a Senior Management Course from the Kenya School of Government. Previously, CPA Bonyi worked for the County Government of Nyamira as a Senior Accountant. Before joining the County Government service, CPA Bonyi served in the private sector as a Certified Accountant and Auditor. He has a total of 16 years working experience

**Nyamira County Executive Car Loan & Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

4. FUND CHAIRPERSON'S REPORT

During the financial year 2015/2016, the County created a revolving mortgage scheme fund by the name Nyamira County Executive Mortgage Scheme Fund to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme (Executive Committee Member or County Public servant). The loans issued to each County Executive Committee Member would not exceed Kenya Shillings three Million, repayable within the term in office of the office bearers at an interest rate of three (3) Percent per annum on reducing balance.

Upon operationalization of the Fund in August 2015 an initial capital of the fund of Kshs. 52,500,000 was injected from the County Treasury. A further Ksh 20,000,000 was appropriated by Nyamira County Assembly during the financial year under review. This was however, reallocated, through the supplementary budget.

For the financial year under review, the Fund recorded a deficit of Kshs. 4,680,263 up from a deficit of Kshs 522,395 reported in the prior financial year ended June 30, 2019. Net assets and liabilities of Ksh 50,150,917 were reported during the year under review, down from Kshs. 56,287,961 reported in the prior financial year ended 30th June 2019.

The existing Fund governing regulations provides for only the executive county staff as the eligible scheme members. Plans are underway to widen the scope of membership to the fund for the benefit of the other non-executive county staff as per provisions of the Salaries and Remunerations Commission circular.

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Car and Mortgage Scheme Fund for the year ended 30th June 2020.



CPA John Moenga Omanwa

CHAIRPERSON - MORTGAGE SCHEME FUND COMMITTEE

5. REPORT OF THE FUND ADMINISTRATOR

Section 19 (d) of the Nyamira County Executive Mortgage Scheme Fund Regulations, 2015 provides that the Administrator of the Fund shall prepare, sign and transmit to the Auditor General in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund, prepared and signed by him or her specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as the committee may from time to time direct in accordance with the Public Finance Management Act.

In the year under review, the Mortgage fund recorded a deficit of Ksh4,680,263 by netting total expenditure of Kshs.7,355,206, against total revenue of Kshs. 2,674,943. An initial outlay of Kshs. 52,500,000 was injected from the County Treasury during the 2015/16 financial year. With the accumulated surplus brought forward from the previous periods of Kshs. 1,213,255, the Fund recorded total net assets and liabilities of Kshs. 50,150,917.

During the year under review, loan disbursements totalling to Kshs. 15,000,000 were done to scheme members. Principal loan recoveries of Kshs. 16,870,414 were done. The Fund ended up with Ksh 11,452,752.55 in cash and cash equivalents and loan receivables from scheme members of Kshs. 38,698,165; being Kshs. 20,271,035 and Kshs. 18,427,130 short-term and long-term respectively.

The existing Fund governing regulations provides for only the executive county staff as the eligible scheme members. Plans are underway to widen the scope of membership to the fund for the benefit of the other non-executive county staff as per provisions of the Salaries and Remunerations Commission circular.

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Car and Mortgage Scheme Fund for the year ended 30th June 2020.



CPA Dominic Barare
FUND ADMINISTRATOR

6. CORPORATE GOVERNANCE STATEMENT

After the August 2017 general election that saw the re-election of the governor, H.E. John Obiero Nyagarama to office, ten County Executive Committee members were appointed to office for a two years term with effect from November 1, 2017. One of the appointed CECMs resigned. Upon expiry of the first two years term, the remaining nine CECMs were reappointed and hold office to date. Four of these County Executive Committee members plus two other County staff members serve in the County Executive Mortgage Scheme Fund management committee.

7. MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the fund recorded a deficit of Kshs. 4,680,263 that was much higher than the previous period's deficit of Kshs. 522,395. The existing Fund governing regulations provides for only the executive county staff as the eligible scheme members. The management tabled a proposal to widen the scope of membership to the fund for the benefit of the other non-executive county staff before the County assembly. The proposal is under consideration by the said oversight body. Once this proposal is passed, the management expects to record more interest which is the major source of income from exchange transactions. This will in turn improve the financial performance of the fund and ensure its sustainability.

In January 2020, the fund, through the aid of a payment by the county on behalf of the entity was able to make good the June 30, 2019 fringe benefit tax arrears of Kshs. 1,793,447. As such, this outstanding statutory obligation stood cleared by the end of the financial year under review.

The management, from time to time, seeks to have enabling regulations governing the fund's operations and is committed to ensure strict adherence to the set fund regulations in furtherance of compliance with statutory requirements.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the financial year under review, the entity did not engage in any corporate social responsibility activity.

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

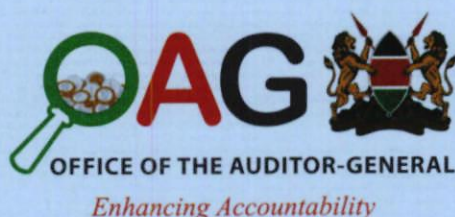
Approval of the financial statements

The Fund's financial statements were approved by the Board on June 30, 2020 and signed on its behalf by:



CPA Dominic Barare
FUND ADMINISTRATOR

REPUBLIC OF KENYA



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Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYAMIRA COUNTY EXECUTIVE CAR LOAN & MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyamira County Executive Car Loan & Mortgage Scheme Fund set out on pages 15 to 28, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows, statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies, notes to the financial statements and other disclosures in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyamira County Executive Car Loan & Mortgage Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation of Financial Statements

The statement of changes in net assets and statement of comparison of budget and actuals amounts provided for audit review reflected the sub-title "as at 30 June, 2020" and "for the period ended 30 June, 2020" respectively instead of "for the year ended" contrary to the requirement of Section 66 (a) of IPSAS 1 on the presentation of financial statements.

In the circumstances, the Fund's financial statements for the year under review are not prepared in accordance with the IPSAS and in the format prescribed by the in PSASB.

2.0 Fund Administration Expenses

Included in the fund administration expenses amount of Kshs.7,015,000 for the year ended 30 June, 2020 as disclosed in Note 3 to the financial statement is Kshs.1,069,600 paid to Nyamira County Assembly Staff and Members of County Assembly to facilitate deliberation on Nyamira County Executive State and Public Officers Car Loan and

Mortgage Fund Regulations 2019. It was not clear why the expenditure was not paid by the County Assembly of Nyamira. Further, included in the Kshs.7,015,000 is Kshs.4,043,100 paid as reimbursements in respect to meetings held on various dates in February, 2020 in Kisumu. However, there was no prior authorization of the meetings.

Consequently, value for money of the expenditure of Kshs.5,112,700 for the year ended 30 June, 2020 could not be confirmed.

3.0 Disbursement of Mortgage Loans

As disclosed in Note 7 to the financial statements, the statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.20,271,035 which includes loan disbursements of Kshs.15,000,000. However, a review of the disbursements documents revealed that applications for the loans were not supported with relevant documents including copies of designs of the proposed residential property duly approved by the relevant department of the County Government, bills of quantities or renovation/repair specifications as provided for in Regulation 11 of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015.

Consequently, the accuracy, regularity and validity of the loan disbursements of Kshs.15,000,000 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The Fund's statement of comparison of budget and actual amounts for the year under review reflects Kshs.900,000 on budgeted receipts and Kshs.1,793,447 on actual budget on comparable basis resulting to Kshs.1,774,943 on revenue surplus.

In addition, the statements reflect Kshs.850,000 on budgeted expenditure and Kshs.7,355,206 on actual expenditure on comparable basis resulting to Kshs.6,505,206 on over expenditure.

However, there was no evidence provided for audit review to confirm that the over expenditure of Kshs.6,505,206 was approved in accordance with Section 43 (2) of the Public Finance Management (County Governments) Regulations, 2015

In the circumstance, the effectiveness of the Fund's budgetary control for the year under review could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Failure to Register a Charge on Securities

The Fund's statement of financial position reflects Kshs.18,427,130 on long term receivables from exchange transactions relating to loans issued to the Fund members. A review of documents revealed that the Fund has not registered a charge on the title deeds to reflect its interest in the properties and secure the outstanding loans.

Further, the borrowers did not provide a transfer deed duly signed and a letter authorizing the County Officer administering the Fund to sell the property in case of default in payment contrary to Regulation 16 of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015.

Consequently, the Fund's Management is in breach of the law.

2.0 Lack of Valuation Report on Securities

The Fund's Management disbursed Kshs.15,000,000 to the members during the financial year under review. However, a review of the disbursement's records revealed that the securities which were provided against the loans were not supported by valuation reports. This is contrary to Regulation 10 of the Public Finance Management (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015.

Consequently, the Fund's Management is in breach of the law.

3.0 Non-Remittance of the Fringe Benefit Tax

Note 5 to the financial statements reflects general expenses balance of Kshs.340,206 which includes Kshs.336,666 in respect of accrued fringe benefit tax. The Management of the Fund deducted but failed to remit fringe benefit tax to the Kenya Revenue Authority (KRA) contrary of the provisions of Section 12 B of the Income Tax Act, Cap 470.

Consequently, the Fund's Management is in breach of the law.

4.0 Training Needs Assessment

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects Kshs.7,015,000 on Fund administration expenses which includes Kshs.474,200 in respect to reimbursement of training allowances. However, the training needs assessment report as required by Section I.3 (1) of the County Public Service Human Resource Manual was not provided for audit.

Consequently, the Fund's Management is in breach of the law

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

Nyamira County Executive Car Loan & Mortgage Scheme Fund
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11. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from County Government	1	1,793,447	-
		1,793,447	-
Revenue from exchange transactions			
Interest Income	2	881,496	1,334,827
		881,496	1,334,827
Total Revenue		2,674,943	1,334,827
Expenses		-	-
Fund administration expenses	3	7,015,000	62,000
General expenses	5	340,206	1,795,222
Total Expenses		7,355,206	1,857,222
Surplus(Deficit) for the period		(4,680,263)	(522,395)

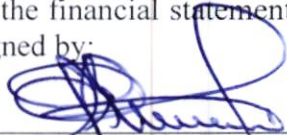
The notes set out on pages 22 to 25 form an integral part of these Financial Statements


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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	6	11,452,753	15,999,721
Current portion of long term receivables from exchange transactions	7	20,271,035	25,913,349
Non-current assets			
Long term receivables from exchange transactions	7	18,427,130	14,374,892
Total Assets		50,150,917	56,287,962
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	8	1,117,925	2,574,706
Non-current liabilities			
Total Liabilities		1,117,925	2,574,706
Net Assets			
Revolving Fund		52,500,000	52,500,000
Accumulated surplus		(3,467,008)	1,213,255
Total net assets		49,032,992	53,713,255
Total net assets and liabilities		50,150,917	56,287,962

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on June 30, 2020 and signed by:


 Administrator of the Fund
 Name: CPA Dominic Barare


 Fund Accountant
 Name: CPA Rael Nyandika
 ICPAK Member No: 15865

Nyamira County Executive Car Loan & Mortgage Scheme Fund
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11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	52,500,000.00		1,735,650.00	54,235,650.00
Surplus/(deficit) for the period	-		-522,395.00	-522,395.00
Funds received during the year	-			
Revaluation gain				
Balance as at 30 June 2019	52,500,000.00		1,213,255.00	53,713,255.00
Balance as at 1 July 2019	52,500,000.00		1,213,255.00	53,713,255.00
Surplus/(deficit) for the period	-	-	-4,680,262.90	-4,680,262.90
Funds received during the year				0.00
Revaluation gain	-			0.00
Balance as at 30 Jun 2020	52,500,000.00		(3,467,007.90)	49,032,992.10

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

	Note	2019/2020	2018/2019
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Interest received	2	601,158	1,246,511
Receipts from other operating activities		-	
Total Receipts		601,158	1,246,511
Payments			
Fund administration expenses	3	7,015,000	62,000
General expenses			
Bank charges	5	3,540	1,775
Total Payments		7,018,540	63,775
Net cash flows from operating activities		(6,417,382)	1,182,736
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments		16,870,414	17,113,135
Loan disbursements paid out		(15,000,000)	(5,200,000)
Net cash flows used in investing activities		1,870,414	11,913,135
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents		(4,546,968)	13,095,871
Cash and cash equivalents at 1 JULY	6	15,999,721	2,903,850
Cash and cash equivalents at 30 JUNE	6	11,452,753	15,999,721

NYAMIRA County Executive Car Loan & Mortgage Scheme Fund
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11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget 2020	Adjustments 2020	Final budget 2020	Actual on comparable basis 2020	Performance difference 2020	% variance 2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	20,000,000	(20,000,000)	-	1,793,447	(1,793,447)	
Interest income	900,000	-	900,000	881,496	18,504	2%
Other income	-	-	-	-	-	
Total income	20,900,000	(20,000,000)	900,000	2,674,943	(1,774,943)	
Expenses						
Fund administration expenses	500,000	-	500,000	7,015,000	(6,515,000)	-1303%
General expenses	350,000	-	350,000	340,206	9,794	3%
Finance cost	-	-	-	-	-	
Total expenditure	850,000	-	850,000	7,355,206	(6,505,206)	
Surplus for the period	20,050,000	(20,000,000)	50,000	(4,680,263)	4,730,263	

Budget Notes

(a) A proposal to amend the regulating provisions of the mortgage fund to accommodate provision of mortgage loans to the other staff within the County Executive had earlier been forwarded to the County Assembly. This proposal was considered for adoption during the period under review hence the unprecedented fund administration expenses.

11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. 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.

3. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 27th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on the FY 2019/2020 budget following the governing body's approval.

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

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

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

4. 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.

5. 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 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.

6. Comparative figures

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

7. Events after the reporting period

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

8. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 on May 30, 2015. under the Ministry of Finance, ICT and Economic Planning. Its ultimate parent is the County Government of Nyamira.

9. Currency

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

**Nyamira County Executive Car Loan & Mortgage Scheme Fund
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11.7. NOTES TO THE FINANCIAL STATEMENTS

1 Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Payments by County on behalf of the entity	1,793,447	-
Total	1,793,447	-

The County Government made a payment of Kshs. 1,793,447, being outstanding fringe benefit tax as at June 30, 2019, to KRA on behalf of the Mortgage Fund

2 Interest Income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income received from mortgage loans	601,158.31	1,334,827.00
Interest receivable from mortgage loans	280,337.74	-
Total interest income	881,496.05	1,334,827.00

Interest was charged at 3% per annum on reducing balance. For the period under review, an interest of Kshs. 86,677 accrued and was capitalized

3 Fund Administration Expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Staff costs (Note 4)	7,015,000.00	
Committee sitting allowances	0.00	62,000.00
Total	7,015,000.00	0.00

4 Staff Costs

Description	2019/2020	2018/2019
	KShs	KShs
Staff training expenses	474,200	
Other staff costs	6,540,800	
Total	7,015,000	

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5 General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Bank charges	3,540.00	1,775.00
Accrued Fringe benefit tax	336,665.95	1,793,447.10
Total	340,205.95	1,795,222.10

6 Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Nyamira County Executive Mortgage Account	11,452,752.55	15,999,721.00
Total cash and cash equivalents	11,452,752.55	15,999,721.00

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

Financial institution	Account Number	2019/2020 Kshs.	2018/2019 KShs.
Current account			
Cooperative Bank	01141348866500		15,999,721.00
Equity Bank	0520278737966	11,452,752.55	
Total		11,452,752.55	15,999,721.00

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7 Receivables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	19,504,869.54	24,202,661.00
Other exchange debtors - Unremitted payroll deductions	766,167.00	1,710,688.00
Less: impairment allowance		
Total Current receivables	20,271,036.54	25,913,349.00
Non-Current receivables		
Long term loan repayments due	18,427,134.43	14,374,892.00
Total Non-current receivables		
Total receivables from exchange transactions	38,698,170.97	40,288,241.00

8 Trade and other payables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Accrued expenses - Fringe benefit tax	336,665.95	1,793,447.10
Other payables - loan overpayments	781,258.71	781,259
Total trade and other payables	1,117,924.66	2,574,705.81

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9 Related party balances

a) Related party transactions		
	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

b) Key management remuneration		
	FY2019/2020	FY2018/2019
	KShs	KShs
Board of Trustees		
Key Management Compensation		
Total	-	-

c) Due from related parties		
	FY2019/2020	FY2018/2019
	KShs	KShs
Due from parent Ministry		
Due from County Government	766,167	1,710,688.00
Total	766,167.00	1,710,688.00

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified opinion					
1.	Unrecovered Loan	A recovery of Kshs. 938,527 was done in December 2019. Recovery measures for the balance are being pursued	CPA Dominic Barare, Fund Administrator	Not Resolved	June 2021
2.	Disbursement of the Mortgage Loans	This far, the management has made remarkable strides in ensuring strict adherence to the approved Fund's Regulations	CPA Dominic Barare, Fund Administrator	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Conclusion on Lawfulness and Effectiveness in the use of Public Resources					
1.	Non-remittance of the Fringe Benefit Tax	The accrued tax was remitted to KRA	CPA Dominic Barare, Fund Administrator	Resolved	
2.	Loans Repayment	The Kshs. 1,675,710 loans, for the time they remained not paid, attracted interest that was capitalized and fully paid by the beneficiaries by December 2017.	CPA Dominic Barare, Fund Administrator	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance					
1.	Uninsured Mortgage Loans	The management had the mortgage loans issued in the 2019/2020 financial year insured against any eventuality of non-payment or any other related risk.	CPA Dominic Barare, Fund Administrator	Resolved	