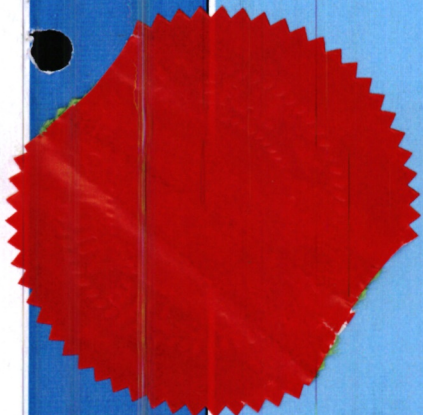


REPUBLIC OF KENYA



*Enhancing Accountability*



PAPERS LAID	
DATE	27/04/2023
REPORT TABLED BY	Sen. Majority Whip
COMMITTEE	
CLERK AT THE TABLE	A. Macharia

OF

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**THE AUDITOR-GENERAL**

ON

**NANDI COUNTY EXECUTIVE  
COMMITTEE CAR LOAN AND MORTGAGE  
SCHEME FUND**

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



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**NANDI COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME  
FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL 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)**

**22 FEB 2023**

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## **1. Key Entity Information and Management**

### **a) Background information**

The Nandi County Executive Car loan and Mortgage scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 requires the Administrator of any public funds to prepare annual financial statements.

For proper management of the fund and as per SRC guidelines, Nandi County Executive 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 Public Service Board appointed a banking institution to manage the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. In that respect, Nandi County Assembly approved and adopted the Staff Loans Policy Paper on 17th March 2015. The fund is wholly owned by the County Government of Nandi and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity of the fund is to provide car loans and mortgage to eligible staff of the County Government of Nandi.

#### **Vision**

A transformed and motivated staff for quality living.

#### **Mission**

To provide affordable, accessible and sustainable car loans and mortgage to staff.

#### **Core Values**

Accountability,

Transparency,

Excellence,

Accessibility,

Integrity,

Responsiveness,

Equity

Team Work.

**Nandi County Executive Car Loan and Mortgage Scheme Fund  
Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2022**

**c) Fund Administration Committee**

Ref	Position	Name	
1	Meshack Malakwen	Chairperson – Fund Committee	Chief Officer-Finance
2	Hellen Kemboi	Fund Administrator/Secretary	Director -Finance
3	Feisal Mohammed	Member	Chief Officer-Public Service
4	Solomon Mang'ira	Member	Chief Officer-Lands
5.	Jonah Tireito	Member	Chief Officer-Roads
6.	Goretty J. Rotich	Member	Director Human Resources

**d) Key Management**

Ref	Position	Name
1	Fund Manager/ Administrator	Hellen Kemboi
2	Fund Accountant	Mathew Rop

**e) Fiduciary Oversight Arrangements**

The key management personnel who were in office during the financial year ended June 30,2022 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	CPA Alfred Lagat	CECM-Finance and Economic Planning
2.	CPA Edwin Maiyo	Head of Internal Audit
3.	Mr.George Tarus	County Attorney

**f) Registered Offices**

Nandi County Government  
P.O. Box 802 – 30300  
Kapsabet, Kenya  
Nandi County Headquarters Building  
1st Floor, Left Wing

**g) Fund Contacts**

Telephone: (254) 053 525 2355

E-mail: [infor@nandi.go.ke](mailto:infor@nandi.go.ke)

Website: [www.nandi.go.ke](http://www.nandi.go.ke)

**h) Fund Bankers**

Cooperative Bank of Kenya

Kapsabet Branch

P.O. Box 869 - 30300

Kapsabet, Kenya.

**i) Independent Auditors**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue



P.O. Box 40112


City Square 00200

Nairobi, Kenya



**2. The Board of Trustees (or any other governing body for the Fund)**



During the Reporting Period the Administration Committee consisted of members whose profiles are captured as follows:

	<p><b>Meshack Malakwen</b></p> <p>Meshack Malakwen was appointed as the second chair of the Car loan and Mortgage fund. Before his appointment, he served as a chief officer Agriculture and cooperative development. He has also held various top management positions in different institutions. During the reporting period he served as the Chief Officer, Finance. Meshack Malakwen holds a Master’s Degree in Business Administration, Strategic management from the Jomo Kenyatta University of Agriculture and Technology.</p> <p>Malakwen also holds a Bachelors Degree in Agricultural Education and Extension from Egerton University and holds a Diploma in Management</p> <p>He began his academic life at St. Joseph’s High, Kitale and Koyo Primary School.</p>
	<p><b>Ms Hellen Kemboi</b></p> <p>Ms.Hellen Kemboi was appointed as the Fund Administrator on 5th April 2018. She has served in various management positions in Nandi County Government. She has served as Head of revenue and currently the Ag. Director of Finance. Ms.Kemboi holds a Master’s Degree in Finance and Bachelor of Commerce (Accounting) degree. She is also a Certified Public Accountant of Kenya (CPAK).</p>

 A black and white portrait of a man with short hair, wearing a suit jacket, white shirt, and striped tie. He is looking directly at the camera with a neutral expression.	<p><b>Feisal Mohammed</b></p> <p>Feisal Mohammed was appointed as the first chair of the Car loan and Mortgage fund. Before his appointment, he served as a Finance Manager at Can Ken. He has also held various top management positions in different institutions. During the reporting period he served as the Chief Officer, Administration and Public Service Feisal Mohammed holds a Bachelor of Business Administration (Banking And Finance). He is currently pursuing Masters in Business Administration at Catholic University.</p>
---	---

**3. Management Team**

	<p><b>Meshack Malakwen</b></p> <p>Meshack Malakwen was appointed as the second chair of the Car loan and Mortgage fund. Before his appointment, he served as a chief officer Agriculture and cooperative development. He has also held various top management positions in different institutions. During the reporting period he served as the Chief Officer, Finance. Meshack Malakwen holds a Master’s Degree in Business Administration, Strategic management from the Jomo Kenyatta University of Agriculture and Technology.</p> <p>Malakwen also holds a Bachelors Degree in Agricultural Education and Extension from Egerton University and holds a Diploma in Management He began his academic life at St. Joseph’s High, Kitale and Koyo Primary School.</p>
	<p><b>CPA Hellen Kemboi</b></p> <p>Ms.Hellen Kemboi was appointed as the Fund Administrator on 5th April 2018.She has served in various management positions in Nandi County Government. She has served as Head of revenue and currently the Ag. Director of Finance. Ms.Kemboi holds a Master’s Degree in Finance and Bachelor of Commerce (Accounting) degree. She is also a Certified Public Accountant of Kenya (CPAK).</p>

 A black and white portrait of a man with short hair, wearing a suit jacket, white shirt, and striped tie. He is looking directly at the camera with a neutral expression.	<p><b>Feisal Mohammed</b></p> <p>Feisal Mohammed was appointed as the first chair of the Car loan and Mortgage fund. Before his appointment, he served as a Finance Manager at Can Ken. He has also held various top management positions in different institutions. During the reporting period he served as the Chief Officer, Administration and Public Service Feisal Mohammed holds a Bachelor of Business Administration (Banking And Finance). He is currently pursuing Masters in Business Administration at Catholic University.</p>
 A black and white portrait of a man with short hair, wearing a dark sweater over a light-colored collared shirt. He is looking directly at the camera with a neutral expression.	<p><b>CPA Mathew Kipleting</b></p> <p>Mathew was appointed as a Fund Accountant on 5th April 2018. He has served as an Internal Auditor and currently serving in Financial Reporting Unit as an Accountant. Mathew holds a Master's Degree in Finance and Bachelor of Commerce (Finance) degree. He is also a Certified Public Accountant of Kenya (CPAK).</p>

4. Board/Fund Chairperson's Report

On behalf of the Fund Administration Committee, it is my pleasure to present the Nandi County car loan and Mortgage Fund financial statements for the year ended 30th June 2022. The financial statements reflect the financial performance of the Fund over the past one year.

Sustainability

In order to ensure sustainability, the Fund has been conducted as basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options to ensure the Fund is a going concern.

**Review of performance**

**Income and statement of performance.**

The fund earned revenues amounting to Kshs.3,523,474 as interest from other exchange transactions and other interest income. The income from interest was KShs.2,697,474 and Kshs.826,000 as other income.

Loan granted during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable interest rate provided by SRC.

**Expenditures**

The total expenditures during the period amounted to Kshs. 650,000 out of which the fund administrative expenses, amounted to Kshs. 650,000.

**Future outlook**

The Fund focuses on building a robust and sustainable fund with a motivated workforce and operational structures that enhance efficiency and effectiveness of service delivery. The fund looks forward to continued support from the County Government and development partners in the execution of its mandate.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Nandi, development partners, stakeholders, management, staff and fellow committee members for support and teamwork which made us achieve these results.

I look forward to a better year 2022/2023.



.....  
Meshack Malakwen

Chairperson, Fund Administration Committee

*Nandi County Executive Car Loan and Mortgage Scheme Fund  
Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2022*

**5. Report of The Fund Administrator**

It is my pleasure to present the Nandi County Executive Car Loan and Mortgage Fund financial statements for the year ended 30<sup>th</sup> June 2022. The financial statements reflect the financial performance of the fund over the past year.

The fund was established on 1<sup>st</sup> May 2018 with an initial amount of **Kshs. 61,000,000** and a further injection **Kshs.40,000,000** and **Kshs.5,000,000** for the year 2019 and 2020 respectively. So far, a total of 41 beneficiaries have made borrowings.

**Financial Performance**

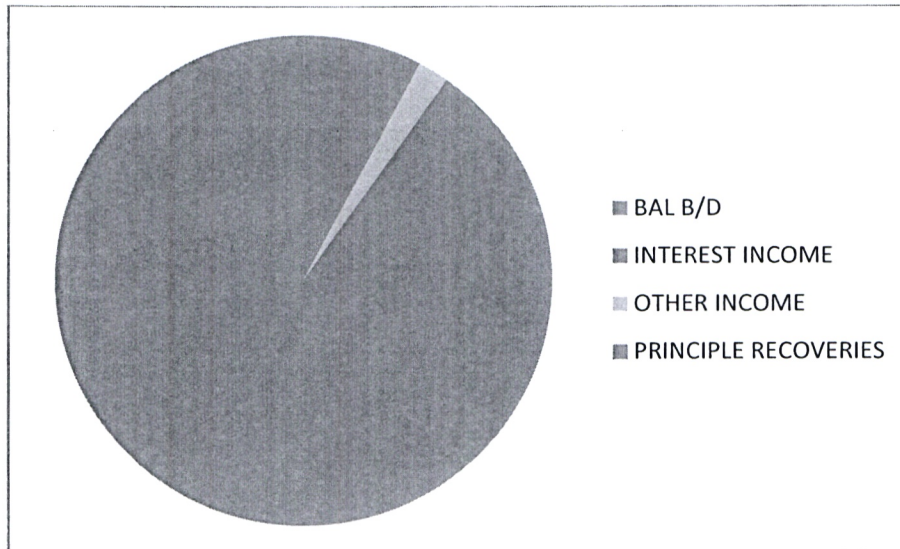
**a) Revenue**

During the reporting period, the fund had projected revenues of KShs **44,819,850**

Out of the projected revenue, the fund realised KShs **32,464,821** in actual revenues, representing **72%** performance. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	
balance b/d	3,491,640	3,491,640	100
Transfers from County Govt.	-	-	-
Interest income and other income	2,746,591	2,231,211	79
Principle recovered	38,581,619	26,741,971	69
<b>Total income</b>	<b>44,819,850</b>	<b>32,464,821</b>	<b>72</b>

**A graphical representation of the revenue budget is as shown below:**



**b) Loans**

During the financial year 2021/2022, the fund disbursed loans to 7 more beneficiaries bringing the total number of beneficiaries to 41 members. This represented 100% utilization of the budgeted funds during the year.

**c) Cash flows**

In the FY 2021/2022, we did not have many liquidity disruptions. This was as a result of proper planning and better loan collections. The cash and cash equivalents was Kshs 3,491,640 comprising of both recoveries and interest.

**Conclusion**

In FY 2021/2022 good progress was made and the momentum has been created to enable Nandi County Executive committee car loan and scheme fund continue on a growth trajectory. We have identified funding gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the Fund Administration Committee for their support. I also thank Fund staff for their dedication and teamwork that saw Nandi County Executive Car Loan and Mortgage Fund achieve its objectives for the year under review.

Ms Hellen Kemboi  
**Fund Administrator**

**6. Statement of Performance Against the County Fund’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 Fund as per the strategic plan for the year ended 30<sup>th</sup> June 2022 plan are to:

- a) purchase the car and
- b) purchase, development or renovation of residential property for occupation by the applicant

**Progress on attainment of Strategic development objectives**

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>
Mobility to the work place	To provide modes of transport to and from working places	Increased efficient transportation of staff	Timely arrival to the working place	<b>In FY 21/22 we increased staff output through reduce of lateness</b>
Conducive residential home	To provide good shelter for all staff	Increased productivity due settled mind	High thinking capacity	<b>In FY 21/22 we increased service delivery to the residence of Nandi</b>

## **7. Corporate Governance Statement**

During the period the chairperson convened two meetings, the meeting was attended by all the members, the main agenda for the above meetings was to discuss the disbursement of the mortgages to its members based on the fund available.

Being the last term for the committee there were discussion on how to recover the outstanding loans from the beneficiaries based on the analysis and trends of repayment schedule already in place.

In the circumstances that loanee fails to honour their obligation of repaying the loan their respective securities would be surcharge, otherwise their gratuity would be used to fully repay the loans.

To avert any form of conflict of interest the board members was guided by strict adherence to the regulation coupled by the core values of the fund.

## **8. Management Discussion and Analysis**

During the financial year 2020-2021 the fund had a smooth running operation which was occasioned by un interrupted cash flows, the deduction from its members was timely and it went as planned.

A full adoption of the public finance management act ie (Nandi county executive committee car loan and mortgage scheme fund) regulation 2018 was adhered to.

All the loanees followed a rightful procedure in applying the loan, the management ensured that the loan applied served the intended purpose that is:

- The purchase of car
- The purchase, development or renovation of residential property for occupation by the applicant

In the circumstances where the loanees fail to remit monthly deduction an official communication was made within the stipulated time and the same monies recovered.

Despite the smooth operation of the fund we do admit that there were challenges ie late remittances of the deduction from its members due to delayed disbursement by the national treasury this indeed delayed the issuing of the new loan to the new applicants.

## **9. Environmental and Sustainability Reporting**

Nandi County Executive committee car loan and mortgage scheme fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on four pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile -**

In the financial year 2021-2022 we had to go an extra mile to balance the politics and service provision to the public, value for money remains to be our key objective.

The County Government of Nandi has advocated for all the stakeholders i.e.

Constituencies and County officials to work together in promoting participatory, governance and accountability.

The strategy has been achieved through public participation in budget making process.

### **2. Employee welfare**

Nandi County Executive committee car loan and mortgage scheme fund has provided instruction, training and supervision so as to ensure health and safety at work of his workers

### **3. Market place practices-**

To ensure responsible competition practices, Nandi County Executive committee car loan and mortgage scheme fund has undertaken vigorous training at various sub counties on emerging issues of corruption both touching on county staff and the public.

**10. Report of The Trustees**

The Trustees submit their report together with the audited 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 grant car loan and mortgage to its members.

**Results**

The performance of the Fund for the year ended June 30, 2022, are set out on page 1 under financial performance

**Trustees**

The fund committee members who served during the year are shown on page (vii).

**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 to carry out the audit of the Nandi County Executive Committee Car Loan and Mortgage for the year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015

By Order of the Board



.....  
**Chair of the Board/Fund Administration Committee**

**Date:** 15/02/2023

## **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 by Nandi County Executive Committee Car Loan and Mortgage Scheme Fund Regulation 2017 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, 2021. 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 Nandi County Executive Committee Car Loan and Mortgage Scheme Fund Regulation 2017. 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, 2021, 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.


*Nandi County Executive Car Loan and Mortgage Scheme Fund  
Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2022*

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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.

The Fund's financial statements were approved by the Board on .....15/02.....2023 and signed on its behalf by:

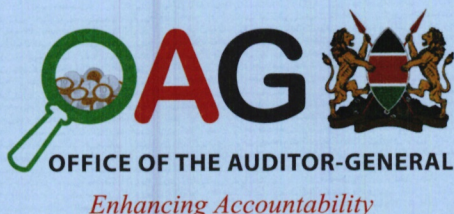
Name: Sign: 

Name: Meshack Malakwen

Date: .....15/02.....2023

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON NANDI COUNTY EXECUTIVE COMMITTEE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Nandi County Executive Committee Car Loan and Mortgage Scheme Fund set out on page 1 to 38, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of cash flows and statement of comparison of budget and actual

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*Report of the Auditor-General on Nandi County Executive Committee Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022*

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the 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 Nandi County Executive Committee Car Loan and Mortgage Scheme Fund as at 30 June, 2022, 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 (Nandi County Executive Committee Car Loan and Mortgage Scheme Fund) Regulations, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified opinion**

#### **1. Inaccuracies in the Financial Statements**

Review of the financial statements presented for audit revealed the following errors:

- i. The statement of financial performance reflects total revenue and total expenses amounts of Kshs.3,523,474 and Kshs.650,000 respectively while the statement of comparison of budget and actual amounts reflects total actual revenue and total actual expenses amounts of Kshs.32,464,821 and Kshs.29,324,000 respectively, resulting to unreconciled or unexplained differences of Kshs.28,941,347 and Kshs.28,704,000 respectively. In addition, the statement of comparison of budget and actual amounts reflects material variances which have not been explained as required under IPSAS 24.14, which requires that material variances have to be explained.
- ii. Transfers to or from key management personnel as well as amounts due to or due from them have not been disclosed under related party transactions in Note 22 to the financial statements.

In the circumstances, the financial statements did not comply with disclosure requirements of the International Public Sector Accounting Standard (Accrual Basis) as prescribed by the Public Sector Accounting Standards Board.

#### **2. Unexplained Variance on Current Receivables**

The statement of financial position and as disclosed in Note 12 to the financial statements reflects current portion of long-term receivables from exchange transactions amount of Kshs.14,473,682. However, documents provided in support of the balance reflects an amount of Kshs.13,063,399 resulting to an unexplained and unreconciled variance of Kshs.1,410,283.

In the circumstances, the accuracy and completeness of current portion of long-term receivables from exchange transaction amount of Kshs.14,473,682 could not be confirmed.

#### **3. Loan Balances from Staff due to Exit Service**

The statement of financial position reflects long term receivables from exchange transactions amount of Kshs.98,212,539. However, records provided for audit indicated

that twenty-three (23) members of the scheme with car loan and mortgage balances totalling Kshs.23,016,095 were due to exit service on expiration of their contracts by October, 2022 before full repayment. This was contrary to Regulation 15.A of the Fund which states that 'a loan granted under these regulations shall be repayable within the term of the County Executive Committee and shall be fully paid at least one (1) month before the end of the term. Further, there was no evidence provided to show that the loans are insured. In addition, no provision of bad debts was made in these financial statements.

In the circumstances, the recoverability of long-term receivables from exchange transactions amount of Kshs.23,016,095 could not be confirmed.

#### **4. Capital Risk Management**

Note 24 to the financial statements on financial risk management details the various risks facing the Fund, but details provided in the Note do not appear related to the Fund:

- i. In Note 24 (c) (i) on Foreign Currency Risk; the Fund Management indicates that it deals with foreign currency. However, there is no evidence of foreign currency denominated assets or liabilities in its books.
- ii. Capital Risk Management; Note 24 (d) reflects a gearing of 1.79 under capital risk management with total borrowings of Kshs.206,115,000. However, the Fund's capital does not include any debts or borrowings. Therefore, the gearing ratio is misleading. Further, the comparative balances differ from the prior year audited financial statements.

In the circumstances, the accuracy of the disclosure on borrowings could not be confirmed.

#### **5. Receivables from Exchange Transactions**

The statement of financial position reflects long term receivables from exchange transactions and current portion of long-term receivables from exchange transactions balances of Kshs.98,212,539 and Kshs.14,473,682 respectively, which includes an amount of Kshs.72,308,807 which is impaired as disclosed in Note 24(a) to the financial statements. However, the Fund has not provided for impairment allowance in these financial statements.

In addition, Note 24(a) to the financial statements on financial risk management reflects total receivables from exchange transactions amount of Kshs.115,447,617 which is at variance with Note 12 receivables from exchange transactions amount of Kshs.112,686,221. Further, Note 24(a) to the financial statements reflects fully performing loans of Kshs.38,685,513, past due loans of Kshs.4,453,297 and impaired loans amount of Kshs.72,308,807. Management has not provided explanation and documents to support the classification. In addition, the comparative balances are not in agreement with the prior year audited financial statements.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions could not be confirmed.

#### **6. Non-Performing Loans**

The statement of cash flows for the year ended 30 June, 2022 reflects proceeds from loan principal repayments amount of Kshs.26,741,971. However, an audit of loan

repayments and loan amortization schedules revealed that loans totalling to Kshs.14,954,146 were not repaid as per the amortization schedule during the year. This is contrary to Regulation 16(1) of the Public Finance Management (Nandi County Executive Committee Car Loan and Mortgage Scheme Fund) Regulations, 2018 that requires recoveries on monthly reducing balance.

In the circumstances, the recoverability of loans totalling to Kshs.14,954,146 that were not repaid in the year is doubtful and Management is in breach of the law.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.44,819,850 and Kshs.32,464,821 respectively, resulting to underfunding of Kshs.12,355,029 or 28% of the budget. Similarly, the Fund expended Kshs.29,324,000 against a budget of Kshs.44,819,850 resulting to an under-expenditure of Kshs.15,495,850 or 35% of the budget. However, the approved budget was not provided for audit review. Further, the underfunding and under-expenditure affected the planned activities and may have impacted negatively on provision of loans to members of the scheme.

#### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.11(66) dated 6 July, 2022.

## **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. Mortgage Loan Insurance**

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.650,000 under fund administration expenses. Included in the expenses is an amount of Kshs.325,000 being insurance cost for long-term receivables from exchange transactions amounting to Kshs.98,212,539. However, the insurance policy in support of the payments made was not provided for audit.

In the circumstances, it was not possible to confirm whether the loan balances are comprehensively insured.

### **2. Title of the Fund**

Regulation 4(1) of the Public Finance Management Regulations (Nandi County Executive Committee Car Loan and Mortgage Scheme Fund Regulations, 2018) created a Fund titled Nandi County Executive Committee Car Loan and Mortgage Scheme Fund. However, the title of the financial statements reads; Nandi County Executive Car Loan and Mortgage Scheme Fund and in some pages as Nandi County Executive Committee Car Loan and Mortgage Scheme Fund.

Under the circumstances, the legal title of the Fund is inconsistent with the regulations that created it.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Pending Receivables from County Executive**

The statement of financial position reflects current portion of long-term receivables from exchange transactions amount of Kshs.14,473,682 which, according to Note 12 to the financial statements includes interest and principal receivable from the County Treasury which were deducted from the payroll. Review of the records held by the Fund in support of this amount revealed that Kshs.12,742,500 was still owed by the County Treasury.

In the circumstances, the sustainability of services and planned activities of the Fund may be impacted negatively.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing as applicable, matters related to sustainability of services and using 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gatundu, CBS  
AUDITOR-GENERAL

Nairobi


05 April, 2023

*Nandi County Executive Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements For the Year Ended 30th June 2022*


**13. Statement of Financial Performance For The Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	2,697,474	2,875,291
Other Income	5	826,000	863,800
<b>Total Revenue</b>		<b>3,523,474</b>	<b>3,739,091</b>
<b>Expenses</b>			
Fund administration expenses	6	650,000	771,250
General expenses	7	-	92,550
Depreciation and Amortization Expense	8	-	3,000
Finance Costs	9		
<b>Total Expenses</b>		<b>650,000</b>	<b>866,800</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/(Deficit) For The Period</b>		<b>2,873,474</b>	<b>2,872,291</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15/10/2023 and signed by:

  
.....

**Name: CPA Hellen Kemboi**  
**Administrator of the Fund**  
**ICPAK Member No:11936**

  
.....


**Name: CPA Mathew Rop**  
**Fund Accountant**  
**ICPAK Member Number: 21626**


**Nandi County Executive Car Loan and Mortgage Scheme Fund**  
**Report and Financial Statements**  
**For the Year Ended 30<sup>th</sup> June 2022**

**14. Statement of Financial Position As At 30 June 2022**

	Note	2021/2022	2020/2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	3,140,821	3,491,640
Current Portion of Long- Term Receivables From Exchange Transactions	12	14,473,682	4,453,297
Prepayments	13	-	-
Inventories	14	-	-
		<b>17,614,502</b>	<b>7,944,937</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	98,212,539	104,832,632
		<b>98,212,539</b>	<b>104,832,632</b>
<b>Total Assets</b>		<b>115,827,041</b>	<b>112,777,568</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	759,800	583,800
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		<b>759,800</b>	<b>583,800</b>
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
<b>Total Liabilities</b>		<b>759,800</b>	<b>583,800</b>
<b>Net Assets</b>		<b>115,067,241</b>	<b>112,193,768</b>
Revolving Fund		106,000,000	106,000,000
Reserves		-	-
Accumulated Surplus		9,067,242	6,193,768
<b>Total Net Assets and Liabilities</b>		<b>115,067,242</b>	<b>112,193,768</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on ..... 2023 and signed by:

  
 Name: CPA Hellen Kemboi  
 Administrator of the Fund  
 ICPAK Member No:11936

  
 Name: CPA Mathew Rop  
 Fund Accountant  
 ICPAK Member Number: 21626

*Nandi County Executive Car Loan and Mortgage Scheme Fund  
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**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Resolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	106,000,000	-	-	106,000,000
Surplus/(Deficit) For the Period	-	-	6,193,768	6,193,768
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	<b>106,000,000</b>	-	<b>6,193,768</b>	<b>112,193,768</b>
<b>Balance As At 1 July 2021</b>	106,000,000	-	6,193,768	112,193,768
Surplus/(Deficit) For the Period	-	-	2,873,474	2,873,474
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	<b>106,000,000</b>	-	<b>9,067,242</b>	<b>115,067,242</b>



Name: CPA Hellen Kemboi  
Administrator of the Fund  
ICPAK Member No:11936



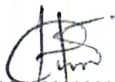
Name: CPA Mathew Rop  
Fund Accountant  
ICPAK Member Number: 21626

16. Statement Of Cash Flows For The Year Ended 30 June 2022

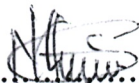
	Note	2021/22	2020/21
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		2,231,211	3,137,935
Receipts from other operating activities		-	-
<b>Total receipts</b>		2,231,211	3,137,935
<b>Payments</b>			
Fund administration expenses		(650,000)	(532,500)
General expenses		-	-
Finance cost		-	(3,000)
Other payments		-	-
<b>Net cash flows from operating activities</b>	21	<b>1,581,211</b>	<b>2,602,435</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		26,741,971	30,812,741
Loan disbursements paid out		(28,674,000)	(29,986,200)
<b>Net cash flows used in investing activities</b>		<b>(1,932,029)</b>	<b>3,428,976</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(350,819)</b>	<b>3,428,976</b>
Cash and cash equivalents at 1 July	11	3,491,640	62,664
Cash and cash equivalents at 30 June	11	3,140,821	3,491,640

**Nandi County Executive Car Loan and Mortgage Scheme Fund  
Report and Financial Statements  
For the Year Ended 30<sup>th</sup> June 2022**

---



.....  
Name: CPA Hellen Kemboi  
Administrator of the Fund  
ICPAK Member No:11936



.....  
Name: CPA Mathew Rop  
Fund Accountant  
ICPAK Member Number: 21626

*Nandi County Executive Car Loan and Mortgage Scheme Fund  
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**17. Statement Of Comparison Of Budget And Actual Amounts For The Period**

	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
balance b/d	3,491,640	-	3,491,640	3,491,640	-	100
Transfers from County Govt.	-		-	-	-	-
Interest income and other income	2,746,591		2,746,591	2,231,211	515,380	81
Principle recovered	38,581,619		38,581,619	26,741,971	11,839,649	69
<b>Total Income</b>	<b>44,819,850</b>	<b>-</b>	<b>44,819,850</b>	<b>32,464,821</b>	<b>12,355,029</b>	<b>72</b>
<b>Expenses</b>						
Fund administration expenses	826,000		826,000	650,000	176,000	79
top ups and new loans	43,993,850		43,993,850	28,674,000	15,319,850	65
Finance cost	-		-	-	-	-
<b>Total Expenditure</b>	<b>44,819,850</b>	<b>-</b>	<b>44,819,850</b>	<b>29,324,000</b>	<b>15,495,850</b>	<b>65</b>
<b>Surplus For The Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,140,821</b>	<b>-3,140,821</b>	<b>7</b>

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements  
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**18. Notes to the Financial Statements**

**1. General Information**

Nandi County Executive committee car loan and mortgage scheme fund is established by and derives its authority and accountability from 2012 Act. The entity is wholly owned by the Nandi County Government and is domiciled in Kenya. The entity's principal activity is to purchase car and purchase, development or renovation of residential property for occupation by the applicant

**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**

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

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund  
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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> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the</p>

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements  
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Standard	Effective date and impact:
<p>resulting from IPSAS 41, Financial Instruments</p>	<p>components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1<sup>st</sup> January 2023</i></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>
<p>IPSAS 43</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an</p>

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund  
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Standard	Effective date and impact:
	<p>Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements  
For the Year Ended 30th June 2022*

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

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

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

**a) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

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*Held-to-maturity*

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

*Impairment of financial assets*

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

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

*Financial liabilities*

*Initial recognition and measurement*

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

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

*Loans and borrowing*

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

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

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**b) Inventories**

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

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

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

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

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

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

**c) 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.

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***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.

**d) 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.*

**e) 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.

**f) 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.

**g) Foreign currency transactions**

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

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**h) Borrowing costs**

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

**i) 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.

**j) 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.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The entity is a County Public Fund established by Act under the Ministry of xxx. Its ultimate parent is the County Government of Nandi.

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

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

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

**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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**c) Provisions**

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

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

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**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
<b>Total</b>	-	-

**3. Fines, penalties and other levies**

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	-	-

*(Provide brief explanation for this revenue)*

**4. Interest income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	2,697,474	2,875,291
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>2,697,474</b>	<b>2,875,291</b>

*(Provide brief explanation for this revenue)*

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**5. Other income**

Description	2021/22	2020/21
	Kshs	Kshs
loan charges income	826,000	863,800
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	<b>826,000</b>	<b>863,800</b>

**6. Fund Administrative Expenses**

Description	2021/22	2020/21
	Kshs	Kshs
Loan processing costs	650,000	771,250
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
<b>Total</b>	<b>650,000</b>	<b>771,250</b>

**7. General expenses**

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	92,550
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-

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Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	-	<b>92,550</b>

**8. Depreciation and Amortization Expense**

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**9. Finance costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	3,000
Interest On Loans From Banks	-	-
<b>Total</b>	-	<b>3,000</b>

**10. Gain/(loss) on disposal of assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

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**11. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Nandi County Executive Car Loan Account	-	-
Nandi County Executive County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	3,140,821	3,491,640
Others	-	-
<b>Total Cash And Cash Equivalents</b>	<b>3,140,821</b>	<b>3,491,640</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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

Financial Institution	Account Number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
<b>Sub- Total</b>		-	-
<b>c) Current Account</b>			
Kenya Commercial Bank		-	-
Cooperative bank		3,140,821	3,491,640
<b>Sub- Total</b>		<b>3,140,821</b>	<b>3,491,640</b>
<b>d) Others(Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-
<b>Sub- Total</b>		<b>3,140,821</b>	<b>3,491,640</b>
<b>Grand Total</b>		<b>3,140,821</b>	<b>3,491,640</b>

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**12. Receivables from exchange transactions**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Current Receivables</b>		
principle receivable from County Payroll	1,410,283	4,453,297
Interest and principle receivable from County Treasury	12,742,500	-
Interest receivable County Payroll	320,899	
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	<b>14,473,682</b>	<b>4,453,297</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	98,212,539	104,832,632
<b>Total Non- Current Receivables</b>	<b>98,212,539</b>	<b>104,832,632</b>
<b>Total Receivables From Exchange Transactions</b>	<b>112,686,221</b>	<b>109,285,929</b>

**Additional disclosure on interest receivable**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

**13. Prepayments**

Description	2021-2022	2020-2021
	KShs	KShs
Prepaid Rent	-	-
Prepaid Insurance	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**14. Inventories**

Description	2021/2022	2020/2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	-	-

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**15. Property, plant and equipment**

	Land and Buildings Kshs	Motor Vehicles Kshs	Furniture and fittings Kshs	Computer equipment Kshs	Total Kshs
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>					
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
<b>Net Book Values</b>					
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-

*Nandi County Executive Committee Car Loan and Mortgage Scheme Fund*  
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**Notes To The Financial Statements (Continued)**

**16. Intangible assets**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Cost</b>		
<b>At Beginning Of The Year</b>	-	-
Additions	-	-
<b>At End Of The Year</b>	-	-
<b>Amortization And Impairment</b>		
<b>At Beginning Of The Year</b>	-	-
Amortization	-	-
<b>At End Of The Year</b>	-	-
Impairment Loss	-	-
<b>At End Of The Year</b>	-	-
<b>NBV</b>	-	-

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

Description	2021-2022	2020-2021
	KShs	KShs
Trade Payables	759,800	583,800
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
<b>Total Trade And Other Payables</b>	<b>759,800</b>	<b>583,800</b>

**18. Provisions**

Description	Current Provisions	Long Term Provisions	Total Provisions	Total
	KShs	KShs	KShs	KShs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End Of The Year (30.06.2022)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Notes To the Financial Statements (Continued)**

**19. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
<b>Domestic Borrowings</b>	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End Of The Year</b>	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

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**20. Employee benefit obligations**

Description	Defined Benefit Plan	Post-employment Benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**21. Cash generated from operations**

	2021-2022	2020-2021
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	2,873,474	-
<b>Adjusted For:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	1,292,263	-
<b>Net Cash Flow From Operating Activities</b>	<b>1,581,211</b>	-

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**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

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**Other Disclosures Continued**

**e) Due to related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	112,686,221	109,285,929
Due To Key Management Personnel	-	-
<b>Total</b>	<b>112,686,221</b>	<b>109,285,929</b>

**23. Contingent assets and contingent liabilities**

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Xxx Against The Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Give details)*

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**Other Disclosures Continued**

**24. Financial risk management**

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

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

**a) Credit risk**

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	115,447,617	38,685,513	4,453,297	72,308,807
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	3,140,821	-	-	-
<b>Total</b>	<b>118,588,438</b>	<b>38,685,513</b>	<b>4,453,297</b>	<b>72,308,807</b>
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions	112,777,568	34,078,704	3,376,857	75,322,007
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	3,491,640	-	-	-
<b>Total</b>	<b>116,269,208</b>	<b>34,078,704</b>	<b>3,376,857</b>	<b>75,322,007</b>

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*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

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

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

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Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2022: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2021 – KShs xxx)

**d) Capital risk management**

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	106,000,000	106,000,000
Accumulated surplus	9,067,242	6,193,768
<b>Total funds</b>	<b>115,067,242</b>	<b>112,193,768</b>
Total borrowings	206,115,000	176,615,000
Less: cash and bank balances	3,140,821	3,491,640
Net debt/(excess cash and cash equivalents)	64.62	49.58
<b>Gearing</b>	<b>1.79</b>	<b>1.57</b>

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**19. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	<p>Presentation and Disclosure of Financial statements.</p> <p>i) First page to the financial statements.</p> <p>ii. Key Entity information and management</p>	<p>i. An inclusion of the header in the first page of the financial statement was occasioned by an error of Microsoft word command-header which effected the same in the entire document and a correction to that effect has been rectified in the amended financial statements.</p> <p>ii. An inclusion of three (3) committee members in the Board of Trustees/ Fund Administration Committee was occasioned by the routine staff rotation which affected the initial Fund Administration committee members, however in the amended financial statements the same has been rectified.</p>	Resolved	7/01/2022
4.2	<p>Long Term Receivables from Exchange Transactions.</p> <p>The statement of financial position as at 30 June 2021 reflects a balance of Kshs. 52,725,307 for current portion of long-term receivables</p>	<p>The variance of Kshs. 736,035 in the statement of financial position was occasioned by incorrect cut off period of some beneficiaries, however a recomputation of the same resulted to long term receivables of Kshs. 104,832,632 against Kshs. 51,989,272</p>	Resolved	7/01/2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	from exchange transactions under current assets which is at variance with supporting schedules of the current portion of long-term receivables from exchange transactions that reflected a balance of Kshs. 51,989,272 resulting to unexplained /unreconciled variance of Kshs. 736,035			
4.3	Misstated Interest Income. The statement of financial performance for the year ended 30 June 2021 reflects Interest Income amount of Kshs. 3,220,669 a review of the of Loan Amortization schedules availed for audit Indicate an amount of Kshs. 3,102,394 resulting/unreconciled variance of Kshs. 118,275	An inclusion of Kshs. 3,220,669 as interest income was occasioned by accumulation of interest income of one of the beneficiaries which led to the variance, nonetheless, a computation of the same resulted to interest income of Kshs. 2,875,291 against Kshs. 3,102,394. The financial statements therefore have been amended.	Resolved	7/01/2022
5.0	Legal services expenses. • No evidence was provided to indicate that the service was subjected to competitive	The procurement of the legal consultant was subjected to competitive bidding as per the attached procurement file. A list of prequalified legal service providers is also attached	Resolved	7/01/2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>bidding as required by Section 91 of the Public Procurement and Asset Disposal Act, 2015.</p> <ul style="list-style-type: none"> <li>• A list of prequalified suppliers indicating that the firm was prequalified and quotations showing how the firm was competitively sourced was not availed.</li> <li>• A contract agreement was not availed for audit verification.</li> <li>• Payment vouchers were not duly supported and approved by approver I and approver II and the payment was made with only the invoice from the law firm used as the supporting document.</li> <li>• There was no recommendation by the department of legal services as required by section 11(4) of the Public Finance Management (Nandi County Executive Committee Car Loan and Mortgage Scheme Fund) Regulations, 2018.</li> </ul>	<p>herein. Cheptoo Masai and Company Advocates being one of the prequalified suppliers, a framework agreement was therefore entered between the County Government of Nandi and the firm (Cheptoo Masai &amp; Company Advocates) on 24th July 2018 for a two-year period as per the attached framework</p>		

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