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**REPORT**

PAPERS LAID	
DATE	12/10/22
TABLED BY	Senate Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	A. Macharia

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2021**

REPUBLIC OF KENYA



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EMBU COUNTY ASSEMBLY



COUNTY ASSEMBLY OF EMBU MORTGAGE AND CAR LOAN FUND REPORT  
AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup>  
JUNE 2021

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

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**Table of Contents**

1. KEY ENTITY INFORMATION AND MANAGEMENT .....	2
2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE (or any other corporate governance body for the Fund) .....	5
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES .....	8
4. MANAGEMENT TEAM .....	10
5. BOARD/FUND COMMITTEE CHAIRPERSON'S REPORT .....	11
6. REPORT OF THE ADMINISTRATOR .....	12
7. CORPORATE GOVERNANCE STATEMENT .....	13
8. MANAGEMENT DISCUSSION AND ANALYSIS .....	15
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....	17
10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE .....	19
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES .....	20
12. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR COUNTY ASSEMBLY OF EMBU MORTGAGE AND CAR LOAN FUND. ....	22
13. FINANCIAL STATEMENTS .....	23
14. NOTES TO THE FINANCIAL STATEMENTS .....	34
15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS .....	39

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

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

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

**b) Principal Activities**

The principal activity/mission/mandate of the fund is to provide car and mortgage loans to members of the County Assembly.

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

Ref	Position	Name
1	Chairman of the Board	Hon. Michael Njeru Kariuki
2	Vice chairman	Hon. Muriuki Masters Leonard Mwaniki
3	Committee Member	Hon. Njiru Paul Muchangi
4	Committee Member	Hon Ireri Robert Njeru
5	Committee Member	Hon. Kimaru Salesio Njeru
6	Committee Member	Hon Nzangi Phillip Kinyutu
7	Committee Member	Hon. Mbaka John Ngari
8	Committee Member	Hon. Mwari Nathan Kariuki
9	Committee Member	Hon. Gakungugu Agnes Wanjiru

**County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

10	Committee Member	Hon. Mbugi Sicily Warue
11	Committee Member	Hon. Edith Wanjira Nyaga
12	Committee Member	Hon. Elizabeth Ndeleve Kibai
13	Fund Administrator	Jim G. Kauma

**d) Key Management**

Ref	Position	Name
1	Fund Manager/ Administrator	Jim G. Kauma
3	Fund Committee Clerk	David Githaga Mwangi
4	Director Finance & Accounts	Josiah Muhia Karanja
5	Principal Finance Officer	Kamau Wachiuri

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Principal Internal Audit	Stephen Munyao kiso

**f) Registered Offices**

County Assembly of Embu Chambers  
Spring Valley Area  
Along James Nyaga Crescent road  
Opposite Faith House  
P O Box140-60100  
**EMBU, KENYA**

**g) Fund Contacts**

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

**h) Fund Bankers**

Family Bank  
**EMBU**

**i) Independent Auditors**

*County Assembly of Embu*  
*Mortgage and Car Loan Fund*  
*Financial Statement and report for year ended 30<sup>th</sup> June, 2021*





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**

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE  
(or any other corporate governance body for the Fund)**

<b>NAME</b>	<b>DETAILS OF QUALIFICATIONS AND EXPERIENCE</b>
 <b>Hon. Kariuki Michael Njeru.</b>	MCA- Kithimu Ward. Leader of Majority Party Chairman Mortgage and car loan fund. Vice Chairperson – County Assembly Service Board Date of Birth : 6th January 1969 Chairperson Selection
 <b>Hon. Muriuki Masters Leonard Mwaniki</b>	MCA- Kiambere Ward Leader of Minority Party Date of Birth: 19 <sup>th</sup> May 1981. Vice chairman Mortgage and car loan fund Chairperson Trade, Tourism Investment and Industrialization
 <b>Hon. Njiru Paul Muchangi</b>	MCA – Gatari North Date Of Birth : 12 <sup>th</sup> April 1981 Member Mortgage and car loan fund Vice Chairperson welfare committee
 <b>Hon. Robert Njiru Ileri</b>	MCA – Kagaari South Ward Date of Birth: 6 <sup>th</sup> August 1977 Member Mortgage and car loan fund Vice Chairperson Youth and sports.

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

 <p><b>Hon. Salesio Njeru Kimaru</b></p>	<p>MCA – Kyeni South</p> <p>Date of Birth : 14<sup>th</sup> November 1971</p> <p>Member Mortgage and car loan fund</p> <p>Chairperson Public Participation</p>
 <p><b>Hon. Philip Kinyutu Nzangi</b></p>	<p>MCA – Makima Ward</p> <p>Date of Birth 12<sup>th</sup>December 1978</p> <p>Member Mortgage and car loan fund</p> <p>Member Speaker’s Panel</p> <p>Chairperson Public Accounts and Investment</p>
 <p><b>Hon. John Ngari Mbaka</b></p>	<p>MCA – Mavuria Ward</p> <p>Date of Birth : 1<sup>st</sup> January 1970</p> <p>Member Mortgage and car loan fund</p> <p>Chairperson Infrastructure, Housing, Public Works and Energy</p>
 <p><b>Hon. Nathan Kariuki Mwari</b></p>	<p>MCA – Nthawa Ward</p> <p>Date of Birth 16<sup>th</sup> February 1980</p> <p>Member Mortgage and car loan fund</p> <p>Chairperson Youth Empowerment and Sports</p>
 <p><b>Hon. Agnes Wanjiru Gakungugu</b></p>	<p>Nominated MCA</p> <p>Date Of Birth : 5<sup>th</sup>April 1973</p> <p>Member Mortgage and car loan fund</p> <p>Chairperson Justice and Legal Affairs</p>

**County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

 <p><b>Hon. Sicily Warue Mbugi</b></p>	<p>Nominated MCA Date of Birth: 23<sup>rd</sup> March 1978 Member Mortgage and car loan fund Member of the Speaker's Panel</p>
 <p><b>Hon. Edith Wanjiru Nyaga</b></p>	<p>Nominated MCA Date of Birth 17<sup>th</sup> October 1982 Member Mortgage and car loan fund Vice Chair Public Accounts and Investment</p>
 <p><b>Hon. Elizabeth Ndeleve Kibai</b></p>	<p>Nominated MCA Date of Birth: 14<sup>th</sup> February 1979 Member Mortgage and car loan fund Chairperson Agriculture, Cooperatives, Fisheries and Livestock</p>
 <p><b>Mr Jim G. Kauma</b></p>	<p>County Assembly Clerk Date of birth: 19<sup>th</sup> September 1981 Masters degree in Public Policy and Administration</p>

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

#### **Introduction**

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

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

- a) Provide cheap Car loan to members so as to enable purchase vehicles for movement between Embu County Assembly headquarters and their wards.
- b) Provide Mortgage loan to members at subsidized rates of 3%.

#### **Progress on attainment of Strategic development objectives**

The County Assembly has achieved its strategic development objective as it has provided Car Loans and mortgage at 3% to all honourable members and the Honorable Speaker. Total amount disbursed was Kshs. 185,000,000.

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

Below we provide the progress on attaining the stated objectives:



<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Car Loans	To facilitate Members of the County Assembly travel efficiently from the wards to County Assembly of Embu	Efficient movement of MCAs from the wards to Assembly chambers	100% of the members of the County Assembly have received the loans	In the Financial year 2020/2021 members of the county assembly have continued to repay their car loan until they were converted to car benefits
Mortgages	To support	Construction of	100% of MCAs	By the end of

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
	members of the county assembly construct descent houses	descent houses for the Members of the County Assembly	have now constructed decent houses	financial year 2020/2021 all members had assessed their mortgages and continued to service their loans as scheduled.

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
 Hon. Michael Njeru Kariuki	MCA- Kithimu Ward. Leader of Majority Party Chairman-Mortgage and Car loan committee Vice Chairperson – County Assembly Service Board Date of Birth :6 <sup>th</sup> January 1969 Chairperson Selection
 Mr Jim G. Kauma	County Assembly Clerk Date of birth: 19 <sup>th</sup> September 1981 Master’s degree in Public Policy and Administration
David Githaga Mwangi	Director Legislative and Procedural and committee Services Date of Birth 22 <sup>nd</sup> June 1970 Bachelors of Arts (BA) Management option
Josiah M. Karanja	Director Financial and Accounting Services Bsc. Finance and Accounting CPA K Date of Birth 21 <sup>st</sup> April 1975
Kamau Wachiuri	Principal Finance Officer Bsc. Finance and Accounting CPA K Date of Birth 1 <sup>st</sup> May 1972

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

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

The board of trustees has continued to perform its distinct functions to achieve the objectives of the board. There has not been changes in the board of trustee and the key management team remains as it was in the last financial year.

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

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

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

- **Future outlook of the Fund**

The fund has a sound financial base and is expected to remain financially viable in future.

- **Any other matters deemed necessary.**

It is worth noting that during the year 2020/2021 the Salary and Remuneration Commission SRC advised the County Assembly to convert the Car Loan to Car Grant vide SRC/TS/COG/3/61/48/Vol. II(113) which was effected. All the amount of money that the MCAs had been deducted for the car loans has since been paid back to the Honourable members of the County Assembly.

- **A conclusion**

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

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

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

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

Hon. Michael Njeru Kariuki

## **6. REPORT OF THE ADMINISTRATOR**

It is my pleasure to present the County Assembly of Embu Mortgage and Car loan Fund financial statements for the 12 months ended 30<sup>th</sup> June, 2021. The financial statements present the financial performance of the fund over the past twelve months.

### **The budget performance**

The fund was established and started with an initial amount of Kshs 165,000,000 which was deposited at Family bank Embu branch. The fund raised interest income of Kshs **1,943,928** for the twelve months ended 30<sup>th</sup> June 2021. The total expenses were Kshs leaving **2,038,968** leading to surplus (deficit) of Kshs **(95,040)**.

In February 2021 the Salary and remuneration commission advised the County Assembly of Embu to convert the Car loans to MCAs to car grant and hence refund to Members of the County Assembly (MCAs) all the monies that had been paid to service the car loans.

During the period of twelve months ended 30<sup>th</sup> June 2021, the MCAs serviced their mortgage loans as was scheduled.

### **The outputs and outcomes**

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

### **The implementation challenges.**

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

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

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

Signed:

  
**Jim G. Kauma**

**Fund Administrator**

## **7. CORPORATE GOVERNANCE STATEMENT**

### **THE FUND COMMITTEE**

The County Assembly of Embu Car & Mortgage Fund scheme is a revolving fund established pursuant to Section 116 of the PFM Act and the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal

### **COMMITTEE MEETING.**

The committee meets as and when necessary to make various transactions as may be required.

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

The attendance of the meeting has been good and the Committee was able to hold 18 meetings as at the 30<sup>th</sup> June 2021. Almost every member attended the meetings when convened.

**b. Succession plan,**

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

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

**c. Existence of a Service Charter,**

Currently the fund has no service charter but the Management is in the process of developing one to enhance service delivery to the members.

**d. Process of appointment and removal of trustees/ Administration Committee members,**

The term of the administration Committee members expires at the expiry of each term of an Assembly i.e. each five (5) year term.

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**e. Roles and functions of the Administration Committee members.**

The fund administration committee members meet as and when necessary to deliberate on matters as necessary which includes:

- Considerations of application of loans by MCAs
- Ensuring that amounts deducted from members by the assembly are remitted to Family bank Embu branch as required.
- To perform any other function as guided by the Fund regulations.

**f. Induction and training, Administration Committee members and member's performance,**

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

**g. Conflict of Interest,**

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

**h. Board Remuneration,**

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

**i. Ethics and conduct as well as governance audit undertaken**

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

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**OPERATIONAL PERFORMANCE**

The Committee was able to conduct 18 meetings in the year 2020-2021

A summary of those meetings conducted in the financial year 2020-2021 was as follows

<b>Date</b>	<b>Main Agenda</b>	<b>Resolution/Remarks</b>
21/07/2020	Annual report preparation	The fund administrator to commence the preparation of the Annual report for the financial 2019/2020
23/07/2020	Confirmation of minutes	Annual report to be completed.
06/08/2020	Annual report.	Annual report to be considered in the next meeting.
26/08/2020	Adoption of Annual report	Adopted.
08/09/ 2020	Monthly report for July	Report presented. Loans serviced properly.
30/09/2020	Monthly report for August and September.	Report presented. Loans serviced properly
08/10/2020	Financial statement and Report for the Financial year 2019/2020.	Report presented. To be considered in the next meeting.
29/10/2020	Financial Statement	Considered and adopted
11/11/2020	Monthly report for October	Report presented. Loans serviced properly
30/11/2020	Confirmation of Minutes	Confirmed
21/12/2020	Payment of allowances	Adopted and presented for payment.
14/01/2021	Monthly report for November and December.	Report presented. Loans serviced properly
21/02/2021	Monthly report for January	Report presented. Loans serviced properly
09/03/2021	Monthly report for February.	Report presented. Loans serviced properly
22/04/2021	Confirmation of Minutes	Minutes confirmed.

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

11/05/2021	Monthly report for March and April	Report presented. Loans serviced properly
17/06/2021	Monthly report for May	Report presented. Loans serviced properly
12/08/2021	Financial Statement 2020/2021	Presented and Adopted.

**FINANCIAL PERFORMANCE**

In the year under review the fund earned an Interest income of Kshs **1,943,928** in the financial year 2020/2021 as compared to Kshs **3,219,610** in the year 2019/2020 the decrease in interest income by **39.62%** was a result of reduced loan balances The fund administration expenses to Family Bank decreased to **1,295,952** from **2,146,406** a decrease of **39.62%** while the committee allowances reduced to **647,976** in the financial 2020/2021 as compared to Kshs **1,322,000** in the year 2019/2020 Ledger Fees remained constant at Kshs. **95,040** in both financial years Finally, the deficit reduced to **95,040** in 2020/2021 from Kshs **343,837** made in the financial year 2019/2020.

NB: The Salaries and Remuneration Commission vide Circular: **SRC/TS/COG/3/61/48 VOL. II (113)** dated **9<sup>th</sup> February, 2021** advised that the Car Loan facility to Members of County Assembly (MCAs) be converted into to a Car Grant. The Mortgage and Car Loan Fund adhered to the advice and refunded to Members of County Assembly (MCAs) **Kshs. 70,000,000 (Seventy Millions Kenya Shillings only)** leading as a Cash Out Flow of **Kshs. 70,000,000 (Seventy Millions Kenya Shillings only)** from the fund in the Financial Year 2020/2021

- a. **Entity's key projects or investments decision implemented or on-going-** The fund has no on-going project nor has it made any investment decision.
- b. **Fund's compliance with statutory requirements,** the statutory matters are catered for by the county assembly of Embu and there are no material statutory arrears.

## **9. CORPORATE SOCIAL RESPONSIBILITY**

### **STATEMENT/SUSTAINABILITY REPORTING**

The fund being a very young one has not engaged on any Corporate Social responsibility activity. This is part of what the committee is considering in future when the performance improves.

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

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

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

#### **2. Environmental performance.**

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

#### **3. Employee welfare**

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

#### **4. Market place practices**

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

##### **a) Responsible competition practice.**

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

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

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

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

##### **c) Responsible marketing and advertisement**

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

**d) Product stewardship.**

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

**5. Community Engagements**

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

**10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

The Trustees submit their report together with the Financial Statements for the year ended June 30, 2021, which show the state of the Fund affairs.

**10.1 Principal activities**

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

**10.2 Performance**

The performance of the Fund for the year ended June 30, 2021, are set out on page 25 to 29

**10.3 Trustees**

The members of the Board of Trustee who served during the year are shown on page 5 to 7.

**10.4 Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. For the year ended 30<sup>th</sup> June, 2021

By Order of the Board

County Assembly of Embu Mortgage and Car Loan Fund

Sign.....

Name: Hon. Kariuki Michael Njeru

Chair of the Board

Date: 14/06/22

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established pursuant to Section 116 of the Public Finance Management Act and supplemented by SRC Circular No. SRS/TS/WH/3/14 of 14<sup>th</sup> February 2014 of the Public Finance Management Act, 2012

The Administrator 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. 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 Section 167 of the Public Finance Management Act (PFMA) and supplemented by SRC Circular No. SRS/TS/WH/3/14 of 14<sup>th</sup> February 2014.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

**County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

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

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 19<sup>th</sup> August, 2021 and signed on its behalf by:


Name: Jim G. Kauma

**Administrator of the County Assembly of Embu  
Mortgage and Car Loan Fund**

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON EMBU COUNTY ASSEMBLY CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund set out on pages 23 to 39, which comprise

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*Report of the Auditor-General on the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2021*

the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

## **Basis for Disclaimer of Opinion**

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

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

However, in the absence of the previous years' financial statements, the source and accuracy of the opening balances reflected in the financial statements for the year under review could not be confirmed.

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

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

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

The statement of financial position as at 30 June, 2021 reflects Kshs.95,652,131 in respect to total assets. However, the same statement reflects Kshs.95,736,100 in respect to net financial position resulting to a variance of Kshs.83,969 which was not explained. Further, the net financial position balance of Kshs.95,736,100 was at variance with the total equity balance of Kshs.95,392,264 reflected in the statement of changes in net assets by an unexplained variance of Kshs.343,836. In addition, Management did not provide a trial balance for audit review.

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

### **3. Late Submission of 2020/2021 Financial Statements**

The financial statements for the year ended 30 June, 2021 were submitted to the Office of the Auditor General on 22 October, 2021, twenty-two (22) days after the statutory deadline of 30 September, 2021 contrary to Section 47(1) of the Public Audit Act, 2015 which stipulates that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

### **4. Accuracy of the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects Kshs.43,322,350 in respect to total actual receipts instead of Kshs.42,046,668 resulting to a variance of Kshs.1,275,682. Further, the statement reflects total original expenditure budget of Kshs.2,038,891 instead Kshs.2,038,968 resulting to a variance of Kshs.77.

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

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

As disclosed in Note 8 to the financial statements, the statement of financial position reflects a balance of Kshs.43,683,644 in respect to long-term receivables from exchange transactions. Review of the amortization schedule supporting the loan balance provided for audit review reflects a balance of Kshs.39,886,032 after amortization of the outstanding loans resulting to variance of Kshs.3,797,612 which was not explained.

In the circumstances, the accuracy and completeness of the Kshs.43,683,644 in respect to long-term receivables from exchange transactions - outstanding loans balances could not be confirmed.

### **6. Irregular Conversion of Car Loan into a Car Grant**

Review of records provided for audit review revealed that whereas the Salary and Remuneration Commission (SRC) circular had directed that upon conversion, the existing car loan shall cease and the Speaker and Members of County Assembly who had already benefitted on the existing car loan shall convert their car loan to transport facilitation benefit in form of a car grant, the Speaker and the thirty three (33) Members of County Assembly were directly advanced Kshs.4,000,000 and Kshs.2,000,000 each respectively amounting to Kshs.70,000,000 without clearing the existing car loans as per the implementation guidelines. The speaker and the MCAs therefore, retained the car loans benefit at low interest rate and the car grant paid in form of cash contrary to the SRC guidelines. As at the close of the financial year under review, the outstanding car loan balance reported in the financial statement was Kshs.43,683,644 which ought to have been cleared.

Further, there was no evidence to show that the bank was informed of the new arrangement in respect to issuance of car grants and the effect this grant had on the existing car loans to MCAs. Management should have informed the bank of the new development and require that the MCAs clear the car loans using the car grant advanced or the same revert to the market interest rates.

In addition, no taxes were subjected to the grant, and no such taxes have been provided in the financial statements.

In the circumstances, the validity of the long-term receivables from exchange transactions - outstanding loans balances could not be confirmed.

#### **7. Unsupported Accrued Management Fees**

The statement of financial position reflects a balance of Kshs.1,451,198 in respect to trade payables - deposits and retentions which includes Kshs.1,435,358 in respect to accrued management fees whose supporting documents including ledgers and details of the accrued expenses were not provided for audit review.

In the circumstances, the validity and accuracy of the balance of Kshs.1,435,358 in respect of trade and other payables from exchange transactions could not be confirmed.

#### **8. Unsupported Expenditure on Committee Allowances**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.647,976 in respect to general expenses - committee allowances whose supporting documents including payment vouchers containing details, clear narrations, and particulars of the items to which it related were not provided for audit review.

In the circumstances, the accuracy and completeness of the Kshs.647,976 on general expenses - committee expenditure could not be confirmed.

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

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of

*Report of the Auditor-General on Embu County Assembly Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2021*

the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **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 (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article

*Report of the Auditor-General on Embu County Assembly Car Loan and Mortgage (Members) Scheme Fund for the year ended 30 June, 2021*

229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and internal controls, risk management and governance.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

22 July, 2022

County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021


13. FINANCIAL STATEMENTS

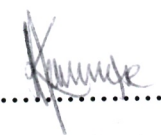
13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30<sup>th</sup> JUNE 2021.

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>RECEIPTS</b>			
Interest Income	1	1,943,928	3,219,610
<b>TOTAL RECEIPTS</b>		1,943,928	3,219,610
<b>PAYMENTS</b>			
Fund administration Expenses-Family bank expenses	2	1,295,952	2,146,406
General Expenses - Committee Allowances	3	647,976	1,322,000
General expenses-Ledger fees	4	95,040	95,040
Car Grant to Members		70,000,000	0
<b>TOTAL PAYMENTS</b>		72,038,968	3,563,446
<b>SURPLUS/DEFICIT</b>		(70,095,040)	(343,836.75)

The financial statements were approved on 14/6/22 2022 and signed by:

  
Fund Administrator  
Name: Jim G. Kauma

  
Fund Accountant  
Kamau Wachiuri  
ICPAK No. 8192

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>CURRENT ASSETS</b>			
Cash and cash equivalents -bank balances	5	49,069,184	76,165,791
Current Portion of receivables from exchange transactions-June remittances	6	4,068,850	223,652
Prepayments-Committee allowances	7		238,490
<b>TOTAL CURRENT ASSETS</b>		<b>53,138,034</b>	<b>76,627,933</b>
<b>NON CURRENT ASSETS</b>			
Long term receivables from exchange transactions-outstanding loans.	8	43,683,644	89,461,576
<b>TOTAL NON CURRENT ASSETS</b>		<b>43,683,644</b>	<b>89,461,576</b>
<b>TOTAL ASSETS</b>		<b>96,821,678</b>	<b>166,089,509</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade Payables – Deposits and retentions	9	1,429,415	602,206
<b>Total current liabilities</b>		<b>1,429,415</b>	<b>602,206</b>
<b>TOTAL ASSETS</b>		<b>95,392,263</b>	<b>165,487,303</b>
<b>REPRESENTED BY</b>			
REVOLVING FUND-fund balances	10	165,487,303	165,831,140
Surplus/Deficit for the year		(70,095,040)	(343,837)
Prior Year Adjustments			
<b>NET FINANCIAL POSITION</b>		<b>95,392,263</b>	<b>165,487,303</b>

The financial statements were approved on 14/6/22 2022 and signed by:

.....  
Fund administrator

Name: Jim G. Kauma

.....  
Fund Accountant

Kamau Wachiuri

ICPAK No. 8192

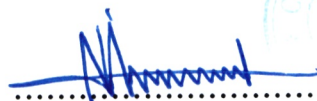



County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021

13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Capital Contribution	Revaluation Gain	Accumulated surplus	Total
	Kshs		Kshs	Kshs
Balance as at 01/01/2018	165,000,610		-	165,000,610
Transfer From County Treasury				-
Surplus/(deficit) for the period			830,531	830,531
				-
Balance as at 30 JUNE 2019	165,000,610		830,531	165,831,141
				-
Balance as at 1st July 2019	165,831,141	-	-	165,831,141
Transfer From County Treasury				-
Surplus/(deficit) for the period			(343,837)	(343,837)
				-
Balance as 30th June 2020	165,831,141	-	(343,837)	165,487,304
				-
Balance as at 1st July 2020	165,487,304			165,487,304
Surplus/(deficit) for the period			(70,095,040)	(70,095,040)
				-
Balance as at 30th June 2021	165,487,304	-	(70,095,040)	95,392,264

The entity financial statements were approved on ..... 2022 and signed by:

  
.....  
Jim G. Kauma  
Fund Administrator

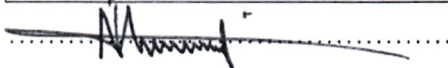
  
.....  
Kamau Wachiuri  
Fund Accountant  
ICPAK membership No. 8192

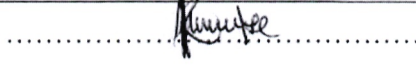


County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
<b>Receipts from operating income</b>	<b>NOTE</b>		
Interest Income Received	11	1,715,491	2,995,958
Interest Income - Previous period	6	223,652	
<b>Total Receipts</b>		<b>1,939,143</b>	<b>2,995,958</b>
<b>Payments</b>			
Family bank Expenses	11	870,293	2,101,939
Committee Allowances	3	925,400	1,322,000
Ledger fees			
<b>Total Payments</b>		<b>1,795,693</b>	<b>3,423,939</b>
<b>Cash flows from Operating activities</b>		<b>143,450</b>	<b>(427,981)</b>
<b>Adjusted for:</b>			
Increase in Receivables		(3,845,198)	(223,652)
Increase in Payables		827,209	602,206
<b>Net Cash flows from operating Activities</b>		<b>(3,017,989)</b>	<b>(49,427)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Disbursed Loans			(3,500,000)
Proceeds from Loan Principal Repayments		45,777,932	40,102,740
<b>Net cash flows from Investing Activities</b>		<b>45,777,932</b>	<b>36,602,740</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Refunds of Car Grant		(70,000,000)	
<b>Net Cash flows from financing activities</b>		<b>(70,000,000)</b>	
Adjustments			291,434
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>		<b>(27,096,607)</b>	<b>36,261,879</b>
Cash and cash equivalent at BEGINNING of the year		76,165,791	39,903,912
Cash and cash equivalent at END of the year	5	49,069,184	76,165,791
The financial statements were approved on _____ 2022 and signed by:			

  
Fund administrator  
Name: Jim G. Kauma

  
Fund Accountant  
Kamau Wachiuri  
ICPAK No. 8192

County Assembly of Embu  
Mortgage and Car Loan Fund

Financial Statement and report for year ended 30<sup>th</sup> June, 2021

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup>

JUNE 2021.

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f=(d/c*100%)
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>RECEIPTS</b>						
Transfers from the County Treasury / Exchequer Releases	-		-	-	-	
Proceeds from loans repayments	45,777,931.74		45,777,931.74	40,102,740.43	5,675,191.31	88%
Interest Income	1,943,928.26		1,943,928.26	1,943,928.26		100%
Other Receipts (Funds in Bank)						
<b>TOTAL</b>	<b>47,721,860.00</b>	<b>-</b>	<b>47,721,860.00</b>	<b>42,046,668.69</b>	<b>5,675,191.31</b>	<b>88%</b>
<b>PAYMENTS</b>						
Loans Disbursed						
Family Bank Management Fees	1,295,952.17		1,295,952.17	1,295,952.17		100%
Committee Sitting Allowances	647,976.09		647,976.09	647,976.09		100%
Ledger fees	95,040.00		95,040.00	95,040.00	-	100%
Total Payments	<b>2,038,968</b>		<b>2,038,968.26</b>	<b>2,038,968.26</b>		<b>100%</b>
Surplus/Deficit	<b>45,682,891.74</b>		<b>45,682,891.74</b>	<b>40,007,700.43</b>	<b>5,675,191.31</b>	<b>88%</b>

**County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

**Budget notes**

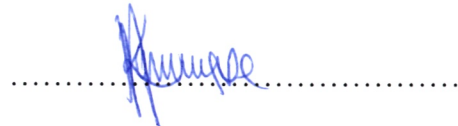
The budgeted total income in financial 2020/2021 was Kshs **47,721,860.00** compared to the realised income of Kshs **42,046,668** an achievement of **91%** of the budgeted amounts;

The budgeted total expenditure is Kshs **2,038,968.26** compared to actual total expenditure of **Kshs 2,038,968**.





**Fund administrator**  
**Name: Jim G. Kauma**



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

### 13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

<b>IPSAS 42:</b>	<b>Applicable: 1<sup>st</sup> January 2022</b>
Social Benefits	<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>The car Loan assist MCAs access loans from the bank at a lower than market rate of interest i.e. 3% compared to the market rate of 16% hence the MCAs have more disposable income to improve their welfare. They can also efficiently move on within the County thereby improving performance in their roles.</p> <p>Mortgage Loan – allows for construction and improvement of existing houses, improved living standards leading to motivated MCAs ready to serve the public.</p> <p>(b)The key features of the operation of those social benefit schemes; and</p> <p><b>a)</b> Cheap loans from the bank for mortgage</p> <p>ii) Car Loan converted to Car benefit- Following SRCs circular, the Car loan was converted to car grant and cash refunds made to MCAs for car loans that had been repaid.</p>

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

	<p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>The conversion of Car Loans to Car Grants lead to cash outflow from the fund as earlier paid amounts of loans were refunded to MCAs.</p>

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly on 21<sup>ST</sup> August 2021. No Subsequent revisions or additional appropriations were made to the approved budget.

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

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

**3. Events after the reporting period**

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

**4. Ultimate and Holding Entity**

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

**6. Currency**

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

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 2021</b>	Note				
Receivables from current exchange transactions	6	4,297,287	4,297,287	00	4,297,287
Receivables from non-current non-exchange transactions	8	43,683,644	43,683,644	00	43,683,644
Bank balances	5	49,069,184	49,069,184	00	49,069,184
<b>Total</b>		<b>97,050,115</b>	<b>97,050,115</b>		<b>97,050,115</b>
<b>At 30 June 2020</b>	NOTE	KSHS	KSHS	KSH S	KSHS
Receivables from exchange Current transactions	6	223,652	223,652	00	223,652
Receivables from long-term non-exchange transactions	8	89,461,575.82	89,461,575.82	00	89,461,575.82
Bank balances	5	76,165,791	76,165,791	00	76,165,791
<b>Total</b>					

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.

*County Assembly of Embu*  
*Mortgage and Car Loan Fund*  
*Financial Statement and report for year ended 30<sup>th</sup> June, 2021*  
**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) 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
	note	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2021</b>					
Trade payables	9	00	1,451,198	00	1,451,198
Current portion of borrowings	8	00	00	43,683,644	43,683,643
Provisions		00	00	00	00
Employee benefit obligation		00	00	00	00
<b>Total</b>		<b>00</b>	<b>1,451,198</b>	<b>43,683,644</b>	<b>45,134,841</b>
<b>At 30 June 2020</b>					
Trade payables	9	00	602,206		602,206
Current portion of borrowings	8	00	00	89,461,576	89,461,576
Provisions		-	-	-	-
Employee benefit obligation		-	-	-	-
<b>Total</b>		<b>-</b>	<b>602,206</b>	<b>89,643,644</b>	<b>90,063,782</b>

*County Assembly of Embu*  
*Mortgage and Car Loan Fund*  
*Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**14. NOTES TO THE FINANCIAL STATEMENTS**

**1. Interest income**

Description		2020/2021	2019/2020
		KShs	
Interest income			
<b>Date</b>			
Jul	Interest Received	214,160	315,159
Aug	Interest Received	204,846	306,197
Sep	Interest Received	195,508	297,213
Oct	Interest Received	185,643	288,207
Nov	Interest Received	176,258	279,178
Dec	Interest Received	166,849	270,126
Jan	Interest Received	157,416	261,052
Feb	Interest Received	147,960	251,955
Mar	Interest Received	138,178	251,585
Apr	Interest Received	128,674	242,365
May	Interest Received	119,146	232,919
Jun	Interest Received	109,291	223,652
<b>Total interest income</b>		<b>1,943,928</b>	<b>3,219,610</b>

**2. Fund Administration Expenses - Family Bank Management Expenses**

FAMILY BANK MANAGEMENT EXPENSES				
			2020-2021	2019-2020
Date	Details		Kshs	Kshs
Jul	Management Expenses		142,773	210,106
Aug	Management Expenses		136,564	204,132
Sep	Management Expenses		130,339	198,142
Oct	Management Expenses		123,762	192,138
Nov	Management Expenses		117,505	186,119
Dec	Management Expenses		111,232	180,084
Jan	Management Expenses		104,944	174,035
Feb	Management Expenses		98,640	167,970

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

Mar	Management Expenses		92,119	167,724
Apr	Management Expenses		85,782	161,577
May	Management Expenses		79,431	155,280
Jun	Management Expenses		72,861	149,101
	<b>TOTAL</b>		<b>1,295,952</b>	<b>2,146,406</b>

**3 GENERAL EXPENSES –COMMITTEES ALLOWANCES**

			2020-2021	2019-2020
			Kshs	Kshs
Jul	Committee Allowances		71,387	661,000
Aug	Committee Allowances		68,282	661,000
Sep	Committee Allowances		65,169	
Oct	Committee Allowances		61,881	
Nov	Committee Allowances		58,753	
Dec	Committee Allowances		55,616	
Jan	Committee Allowances		52,472	
Feb	Committee Allowances		49,320	
Mar	Committee Allowances		46,059	
Apr	Committee Allowances		42,891	
May	Committee Allowances		39,715	
Jun	Committee Allowances		36,430	
	<b>Total for the Year</b>		<b>647,976</b>	<b>1,322,000</b>
	<b>Accrued Committee allowances</b>		<b>277,424</b>	<b>0</b>
	<b>Grand Total</b>		<b>925,400</b>	<b>1,322,000</b>

**4 GENERAL EXPENSES -LEDGER FEES**

			2020-2021	2019-2020
Jul	Ledger fees		7,920	7,920
Aug	Ledger fees		7,920	7,920
Sep	Ledger fees		7,920	7,920
Oct	Ledger fees		7,920	7,920
Nov	Ledger fees		7,920	7,920
Dec	Ledger fees		7,920	7,920
Jan	Ledger fees		7,920	7,920
Feb	Ledger fees		7,920	7,920
Mar	Ledger fees		7,920	7,920

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

	Apr	Ledger fees		7,920	7,920
	May	Ledger fees		7,920	7,920
	Jun	Ledger fees		7,920	7,920
		<b>Total</b>		<b>95,040</b>	<b>95,040</b>

**5. Cash and cash equivalents**

<b>CASH AND CASH EQUIVALENTS</b>				
<b>Name of Bank, Account Number</b>			<b>2020-2021</b>	<b>2019-2020</b>
			<b>Kshs</b>	<b>Kshs</b>
Car and Mortgage Acct - 075000028013			48,125,345	75,600,800
CAE Interest Acct – 070000042338			943,839	564,991
<b>Total</b>			<b>49,069,184</b>	<b>76,165,791</b>

**6 Receivables from exchange transactions**

			<b>2020-2021</b>	<b>2019-2020</b>
			<b>Kshs</b>	<b>Kshs</b>
June Remittances			4,068,850	
Interest Receivable				223,652
<b>Total</b>			<b>4,068,850</b>	<b>223,652</b>

**7 PREPAYMENTS**

			<b>2020-2021</b>	<b>2019-2020</b>
			<b>Kshs</b>	<b>Kshs</b>
Committee Allowances				238,490
<b>Total</b>				<b>238,490</b>

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

8 LONG TERM RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Outstanding Loans				
NAME			2020-2021	2019-2020
			Kshs	Kshs
Agnes Wanjiru Gakungugu	loan balances		1,100,017	2,285,146
Bernard Nyaga Kandia	loan balances		1,100,017	2,285,146
Duncan Ileri Mbui	loan balances		1,100,017	2,285,146
Ednah Kanini Muisyo			1,100,017	2,285,146
Fredrick Mugendi Gatumu			1,100,017	2,285,146
John Gichovi Gatumu			1,100,017	2,285,146
Jane Ann Muthoni Murithi	loan balances		1,100,017	2,285,146
Judy Mbuya Njue			1,100,017	2,285,146
Kisingu John Harrison			1,100,017	2,285,146
Margaret Lorna Kariuki			1,100,017	2,285,146
Michael Njeru Kariuki			1,100,017	2,285,146
Morris Muchiri Nyaga	loan balances		1,100,017	2,285,146
Murithi Njagi Kiura			1,100,017	2,285,146
Patrick Njeru Mukavi			1,100,017	2,285,146
Patrick Rugendo Ileri			1,100,017	2,285,146
Paul Muchangi Njiru			1,100,017	2,285,146
Peter Muriithi Nyaga			1,100,017	2,285,146
Robert Njiru Ileri			1,100,017	2,285,146
Rose Ruguru Kinyua	loan balances		1,099,950	2,285,105
Salesio Njeru Kimaru			1,100,017	2,285,146
Cisily Ruguru Njiru			1,100,017	2,285,146
Sicily Warue Mbugi			1,100,017	2,285,146
Steve Munene Mugendi			1,100,017	2,285,146
Elizabeth Ndeleve Kibai			928,323	2,193,347
Newton Kariuki Ndwiga			878,115	1,826,795
John Ngari Mbaka			883,833	1,912,437
Nathan Kariuki	loan balances		1,106,652	2,385,940
Edith Wanjira Nyaga			1,053,147	2,306,725
Martin Mwangi Kimani			1,062,003	2,293,765
Philip Kinyutu Nzangi			1,062,003	2,293,765

**County Assembly of Embu**  
**Mortgage and Car Loan Fund**  
**Financial Statement and report for year ended 30<sup>th</sup> June, 2021**

	Terry C Wanja Mbuchi	loan balances		1,062,003	2,293,765
	Masters Leonard Mwaniki	loan balances		894,620	1,860,672
	Harrison Sammy Muturi			1,120,641	2,327,470
	Josiah Muriithi Thiriku			5,866,433	10,320,275
	Polly Kagendo Njagi			1,232,773	2,444,154
	Patrick Njeru Nyaga	loan balances		1,232,773	2,444,154
				<b>43,683,644</b>	<b>89,461,575.82</b>

<b>9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
			<b>2020-2021</b>	<b>2019-2020</b>
			<b>Kshs</b>	<b>Kshs</b>
	Accrued Management fees		1,429,415	139,506
	Accrued Committee Allowances			
	Accrued Ledger fees			462,700
	<b>Total</b>		<b>1,429,415</b>	<b>602,206</b>

<b>10 REVOLVING FUND</b>		<b>2020-2021</b>	
1st July 2020	Fund Balance B/f	165,831,140	
	Deficit b/f	(343,387)	
	Less: Refunds for Car Loan		
<b>30<sup>th</sup> June 2021</b>	<b>Balance C/d</b>	<b>165,487,303</b>	

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

*County Assembly of Embu  
Mortgage and Car Loan Fund  
Financial Statement and report for year ended 30<sup>th</sup> June, 2021*

**11. CASHFLOWS ANALYSIS**

CASHFLOWS ANALYSIS														
INTEREST RECEIVED						MANAGEMENT FEES PAID			COMMITTEE ALLOWANCES			LEDGER FEES		
Month	Total Interest	To Family Bank	To Assembly	Actual Interest received	Bal c/d	Management fees accrued	Actual Paid	Balance c/d	Allowances Accrued	Actual Paid	Bal c/d	Ledger fees Accrued	Actual paid	Bal c/d
Bal b/f														-
July	214,160	142,773	71,387	214,160	-	142,773		<b>142,773</b>	71,387	528,800	<b>(457,413)</b>	7,920		<b>7,920</b>
August	204,846	136,564	68,282	204,846	-	136,564		<b>136,564</b>	68,282		<b>68,282</b>	7,920		<b>7,920</b>
September	195,508	130,339	65,169	195,508	-	130,339		<b>130,339</b>	65,169		<b>65,169</b>	7,920		<b>7,920</b>
October	185,643	123,762	61,881	185,643	-	123,762		<b>123,762</b>	61,881		<b>61,881</b>	7,920		<b>7,920</b>
November	176,258	117,505	58,753	176,258	-	117,505		<b>117,505</b>	58,753		<b>58,753</b>	7,920		<b>7,920</b>
December	166,849	111,232	55,616	166,849	-	111,232		<b>111,232</b>	55,616	396,600	<b>(340,984)</b>	7,920		<b>7,920</b>
January	157,416	104,944	52,472	157,416	-	104,944		<b>104,944</b>	52,472		<b>52,472</b>	7,920		<b>7,920</b>
February	147,960	98,640	49,320	147,960	-	98,640		<b>98,640</b>	49,320		<b>49,320</b>	7,920		<b>7,920</b>
March	138,178	92,119	46,059	138,178	-	92,119		<b>92,119</b>	46,059		<b>46,059</b>	7,920		<b>7,920</b>
April	128,674	85,782	42,891	128,674	-	85,782		<b>85,782</b>	42,891		<b>42,891</b>	7,920		<b>7,920</b>
May	119,146	79,431	39,715		119,146	79,431		<b>79,431</b>	39,715		<b>39,715</b>	7,920		<b>7,920</b>
June	109,291	72,861	36,430		<b>109,291</b>	72,861		<b>72,861</b>	36,430		<b>36,430</b>	7,920		<b>7,920</b>
<b>Total</b>	<b>1,943,928</b>	<b>1,295,952</b>	<b>647,976</b>	<b>1,715,491</b>	<b>228,437</b>	<b>1,295,952</b>	<b>-</b>	<b>1,295,952</b>	<b>647,976</b>	<b>925,400</b>	<b>(277,424)</b>	<b>95,040</b>	<b>-</b>	<b>95,040</b>

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

