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REPORT

OF

THE AUDITOR-GENERAL

ON

**NYANDARUA COUNTY EXECUTIVE
COMMITTEE MEMBERS' CAR LOAN AND
MORTGAGE SCHEME FUND**

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

PAPERS LAID	
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NYANDARUA COUNTY EXECUTIVE COMMITTEE MEMBERS' CAR
LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund is established by and derives its authority and accountability from The Public Finance Act on 9th March 2016.

The fund's objective is to provide car loans and mortgage schemes for the acquisition of properties to motivate the County Executive to retain the necessary skills in the workforce.

The Fund's principal activity is to transform the lives and livelihoods of staff by giving them an avenue for affordable loans. This will eventually translate to better service delivery to the people of Nyandarua County resulting in social Economic Development given a motivated staff and retained personnel and skill.

b) Principal Activities


The principal activity/mission/ mandate of the Fund is to grant Car and mortgage loans to The Executive Staff members.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Mr Muigai Wainaina	Chairman
2	Mr John Njoroge	Chairman(Retired)
3	Ms Beatrice Migwi	Member
4	Mr Samuel Kamau	Member
5	Mr Joseph Wahome	Member
6	Mr John Tony Gecaga	Member
7	Ms Beatrice Macharia	Member
8	Mr Philip Kingori	Member

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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d) Key Management

Name	Position/Details of qualifications and experience
<p>1. Teresa K Njeru</p> 	<p>Director Human Resource Date of birth 5th February 1957 MBA HRM Over 18 years in HR practice in the Government</p>
<p>2. Hiram Kahiro</p> 	<p>County Secretary and Head of Public Service Deputy County Commissioner MA- Armed Conflict and Peace Studies</p>
<p>3. Margaret Gachomo</p> 	<p>CPA(K),Bcom (Accounting Option)over 15 years' experience</p>

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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e) Registered Offices

County Government of Nyandarua
Headquarters Building
P.O. Box 701-20303
Ol Kalou, KENYA.

f) Fund Contacts

Telephone: (254) 20266859
E-mail: info@nyandarua.go.ke
Website: www.nyandarua.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank
Ol Kalou Branch
P.O Box 74145-00200
Nairobi, Kenya

h) Independent Auditors




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

i) Principal Legal Adviser

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

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Position/Details of qualifications and experience
<p>1. Teresa K Njeru</p> 	<p>Director Human Resource Date of birth 5th February 1957 MBA HRM Over 18 years in HR practice in the Government</p>
<p>2. .Hiram Kahiro</p> 	<p>County Secretary and Head of Public Service Deputy County Commissioner MA- Armed Conflict and Peace Studies</p>
<p>3. Muigai Wainaina</p> 	<p>Chief Officer Economic Planning and Development Academics :Masters of Economics B. Economics Over 15 Years' experience</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 Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund County Government Entity's 2018-2022 plan are to motivate staff through the provision of car loans and mortgage schemes for the acquisition of properties to the County Executive to retain the necessary skills in the County Public Service.

Progress on the attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund	to motivate staff through the provision of car loans and mortgage schemes for the acquisition of properties to the County Executive so as to retain the necessary skills in the County Public Service	Reduced staff turnover Motivated Staff	Staff turnover rate	In FY 19/20 loans of Kshs. 20.5 million were disbursed to the beneficiaries.

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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4. BOARD/FUND CHAIRPERSON'S REPORT

The Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund management had changes in the FY 2019/2020 due to end of the tenure of office of some members. In the Financial year, the Fund did not receive any appropriations. This brings out the sustainability aspect of the Fund.

A total of Kshs. 16,842,783 was repaid for the months between July 2019 and June 2020. As at 30th June 2020, the outstanding loan balance was Kshs. 60,968,051 this include loang term receivables amounting to Ksh 58,635,334 and current portion of long term receivables amounting to Ksh 2,332,710 thus gives the total outstanding loan balance as 60,968,051 from an opening balance of Kshs. 82,067,890 of the FY 2019/2020.

In FY 2019/2020, four loans of Kshs. 20.5 Million were disbursed

The Fund's outlook is good with an ardent need to review and recover the non-performing loans disbursed to former members of the County Executive Committee Members.

Signed:

 14/12/2020

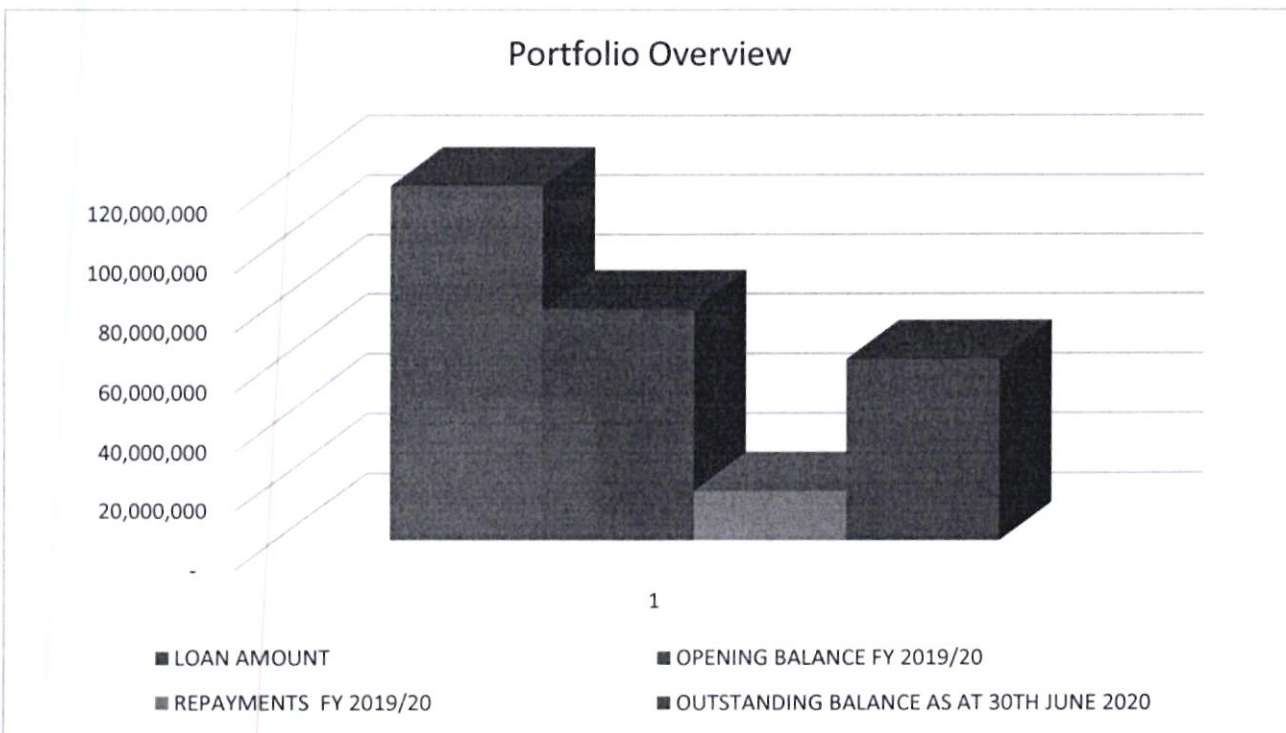
Muigai Wainaina- Chairman

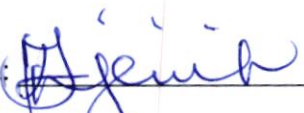
5. REPORT OF THE FUND ADMINISTRATOR

In the FY 2019/20, Kshs. 20.5 Million was disbursed in 4 loans to the County Executive Committee Members. Given a reduced demand for loans by the County Executive Committee Members, there were no appropriations set to inject capital into the Fund for the period in question.

As at 30th June 2020 Kshs. 220,937 was realised as interest on loan, 1,302,009 as interest on fund balace giving a total interest of Ksh 1,511,946. On quarterly payments, quarter two of the FY 2019/20 registered the highest repayment at Kshs. 5,720,149. As of 30th June 2020, the outstanding loan balance was Kshs. 60,968,051. The chart below gives an overview of the fund with reference to the loan amount.

The surplus for the period ending 30th June 2020 was Kshs. 820,846.



Signed:  14/12/2020
Mr. Teresa K Njeru

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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6. CORPORATE GOVERNANCE STATEMENT

Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund Committee met thrice in the FY 2019/2020. The notes have captured the meetings by members. In the FY 2019/2020, John Gitau was replaced by Muigai Wainaina after the end of his tenure and service in the County Government. His appointment and replacement were as per the PFM Act and the Act under which the Fund is created.

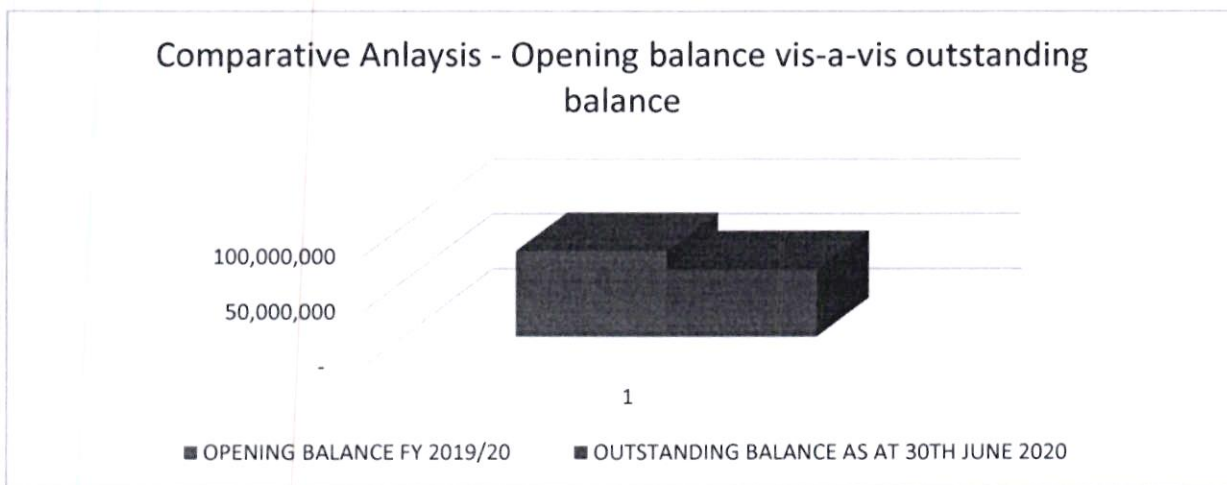
The roles and functions of the Fund are as stipulated in the Nyandarua County Civil Servants' Car Loan & Mortgage Scheme Fund Act whilst the remuneration to the Committee is as per the provisions of the Salaries and Remuneration Committee. To enhance integrity in the dispensation of the roles of the Committee, members are to avoid any conflict of interest or declare where is.

7. MANAGEMENT DISCUSSION AND ANALYSIS

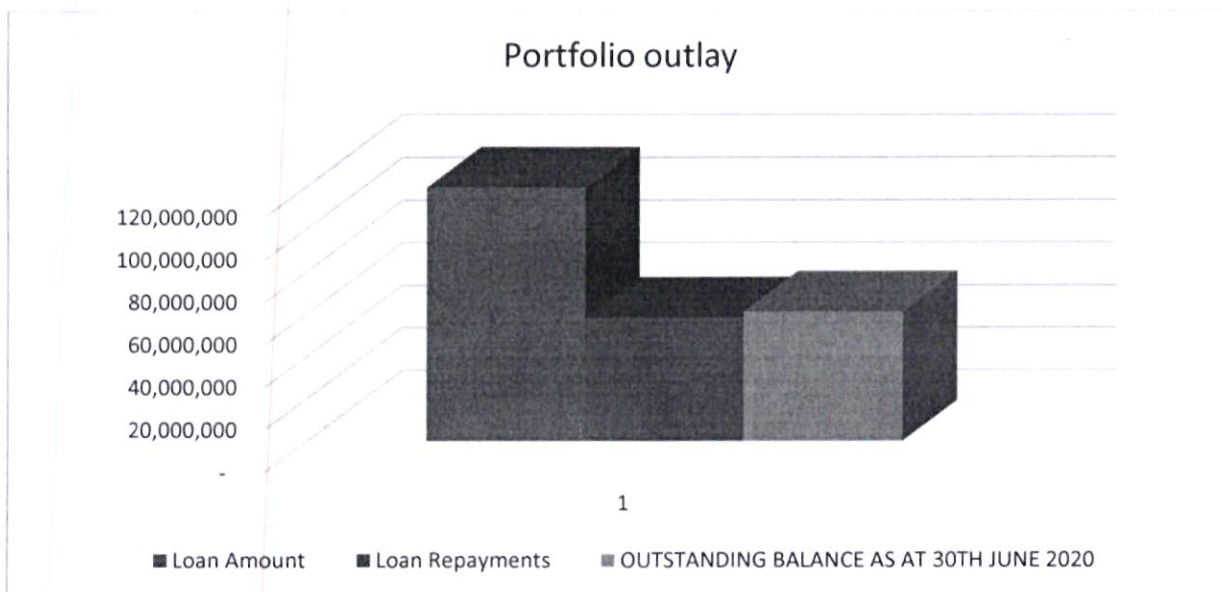
The Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund having been accessed by the majority of the CECMs in the previous year had a lowered demand in the FY 2019/2020. Consequently, the Committee did not place a request for an appropriation in the Financial Year.

Loan disbursement in the FY 2019/2020 was Kshs. 20,500,000 with repayment of Kshs. 16,842,783 in the FY.

The outstanding loan as at 30th June 2020 and opening balance for the Financial Year are illustrated below:



To track the repayment of the total loan, it is worth noting that Kshs. 58,240,589 has been repaid since the inception of the Fund which forms the revolving fund.



**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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The sustainability of the Fund to meet its objectives is essential and the management will continue to ensure that this is achieved.

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

(a.) Sustainability strategy and profile -

The Revolving Fund sustainability is assured through the existence of Fund Managers/Administrators – Family Bank who ensure that the loans taken up by staff act as collaterals whilst the beneficiaries can repay the loan without strain on their financial resources as per the requirement of the 1/3rd rule. A proportion of the Income interest is also lumped up with the Fund and marginally contribute to the growth of the Fund.

(b.) Employee welfare

Employee welfare is essential for sustainability in the implementation of County Programmes and projects. Disbursement of the loans at the favourable rates allow for personal development whilst removing hurdles that limit their disposable income.

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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9. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund is to disburse Car and Mortgage Loans to County Executive Committee Members.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 16 to 21.

Trustees

The members of the Board of Trustees who served during the year are shown on page 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 2012.

By Order of the Board


Teresa K. Njeru

Fund Administrator

Date: 14/12/2020

10. 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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

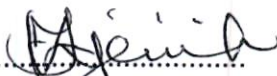
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i)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

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

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

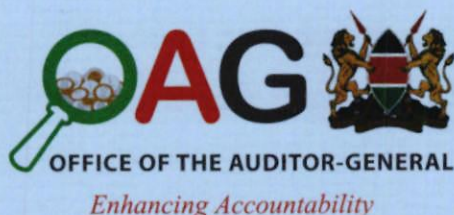
Approval of the financial statements

The Fund's financial statements were approved by the Board on 14/12/ 2020 and signed on its behalf by:


.....
Ms. Teresia K Njeru
Fund Administrator

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 NYANDARUA COUNTY EXECUTIVE COMMITTEE MEMBERS' CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund set out on pages 15 to 48, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund (Amendment) Regulations, 2015.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements provided for audit review had the following inaccuracies:

- 1.1 The statement of financial performance reflects interest income of Kshs.1,522,946 whereas the statement of comparison of budget and actual amounts reflected a nil balance, resulting to an unreconciled variance of Kshs.1,522,946.
- 1.2 The statement of financial performance reflects a surplus balance of Kshs.860,127 which differ from a deficit of Kshs.662,819 reflected in the statement of comparison of budget and actual amounts reflects, resulting to a variance of Kshs.1,522,946 which has not been explained.

Consequently, the accuracy and completeness of the balances reported in the financial statements could not be confirmed.

2.0 Understated Interest Income

The statement of financial performance and Note 4 to the financial statements reflects interest income of Kshs.1,522,946 which includes an amount of Kshs.220,937 interest income from car loans and mortgage. However, the Fund charges an interest of 0.5% on loans contrary to Regulation 15(1) of the Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund (Amendment) Regulations, 2015 which provides that the interest chargeable on a loan shall be three per centum (3%) per annum on a monthly reducing balance. The interest charged for the year is therefore understated.

Consequently, the accuracy and regularity of the interest income of Kshs.1,522,946 could not be confirmed.

3.0 Unsupported Fund Administration Expenses

The statement of financial performance reflects fund administration expenses balance of Kshs.662,459 which includes Committee allowances totalling to Kshs.648,100. However, the schedule supporting the expenditure did not specify the dates of the meetings. Further, the schedules of payment had a total of ten (10) names of payees, instead of a maximum of five (5) Loans Management Committee members as stipulated in Regulation 6(1) of the Nyandarua County Executive Committee Car Loan and Mortgage Fund (Amendment) Regulations, 2015.

Consequently, the accuracy and regularity of the expenditure amounting to Kshs.648,100 in respect of fund administration expenses could not be confirmed.

4.0 Unsupported Car Loans

The statement of cash flows reflects loan disbursements balance of Kshs.20,500,000, which includes an amount of Kshs.11,050,000 disbursed to two (2) members for purchase of motor vehicles. However, the disbursements were not supported by sale agreements, invoices and motor vehicles records as required by Regulation 11(1)(d) of the Nyandarua County Executive Committee Car Loan and Mortgage Fund (Amendment) Regulations, 2015 which requires that a loan application shall be accompanied by a certified copy of the sale agreement relating to the property intended to be purchased.

Consequently, the accuracy and validity of loan disbursements balance of Kshs.20,500,000 could not be confirmed.

5.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects that the Fund had a total income budget of Kshs.30,000,000 against an Expenditure budget of Kshs.900,000 indicating unbalanced budget. Further, the loans disbursements were not factored in the budget.

Consequently, the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 did not reflect the actual position of budget execution.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyandarua County Executive Committee Members' 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 were no key audit matters to report in the year under review.

Other Matter

Prior Year Audit Matters

In the report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. 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's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Fund Administration Expenses Above the Statutory Limit

The statement of financial performance reflects total revenue of Kshs.1,522,946. The statement also indicates that the Fund incurred an amount of Kshs.662,459 on administration expenses or 43 % of the income. This is contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budgets of the Fund.

Consequently, the Management of the Fund was in breach of the law.

2.0 Over-Commitment of Salary

The statement of cash flows reflects loan disbursements paid out of Kshs.20,500,000, which includes an amount of Kshs.10,500,000 advanced to three (3) County Executive Committee Members (CECMs) for purchase of plots and car. However, a comparison of their net salaries and the required monthly repayment instalment revealed they earned net salaries below one-third of their basic salary. This is contrary to the provision of Clause C.1(3) of the Human Resource Policies and Procedures Manual for Public Service which stipulates that Public Officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.

Consequently, the Management of the Fund was in breach of the law.

3.0 Non-Compliance with the Law on Establishment of Funds

Review of records revealed that during the year under review, the Loans Management Committee of both the Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund and that of Nyandarua County Civil Servants Car Loan held joint meetings at which the business of the two Funds was transacted to undertake similar functions. This is contrary to Regulation 197(1)(b) and (c) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the County Executive Committee Member responsible for the county government entity shall certify in writing that the functions and the public services to be delivered through the Fund cannot be delivered through the structure of budget appropriations.

Further, the Regulations stipulates that a clear justification is required why a Fund structure is deemed appropriate for improved service delivery in light of the legislative and policy mandate of the county government entity.

Therefore, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters 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 governance were not effective.

Basis for Conclusion

1.0 Non-performing Loans

The statement of financial position reflects a balance of Kshs.58,635,337 in respect of long-term receivables from exchange transactions which includes non-performing loans totalling to Kshs.11,585,282. The loans are owed by three (3) members, whose contracts were terminated. However, no evidence was provided of the effort made to recover the outstanding loan balances.

Consequently, there was no evidence of existence of effective internal controls on loans.

2.0 Failure to Develop a Risk Management Strategy

The Fund did not have Risk Management Policy in place. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

Consequently, evidence of effective mitigation measures in case of risks could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the Fund's 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 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 Fund's 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 Fund's 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 Fund's financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Fund's 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 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 Fund's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2022

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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12. FINANCIAL STATEMENTS

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

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	1,522,946	225,291
Other income	5	-	4,359
		1,522,946	229,650
Total revenue		1,522,946	229,650
Expenses			
Fund administration expenses	6	662,459	580,000
General expenses	8	360	-
Finance costs	9	-	-
Total expenses		662,819	580,000
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		860,127	(350,350)

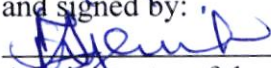
The notes set out on pages 36 to 48 form an integral part of these Financial Statements

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	21,959,966	24,796,337
Current portion of long- term receivables from exchange transactions	12	2,332,714	17,841,786
Prepayments	14	-	-
Inventories	15	-	-
		24,292,680	42,638,123
Non-current assets			
Property, plant and equipment	16	-	-
Intangible assets	17	-	-
Long term receivables from exchange transactions	12	58,635,337	39,429,767
		58,635,337	39,429,767
Total assets		82,928,017	82,067,890
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
Total liabilities		-	-
Net assets		82,928,017	82,067,890
Revolving Fund		-	20,000,000
Revolving funds-Others			(17,450,000)
Reserves		82,067,890	79,868,240
Surplus for the year		860,127	(350,350)
Total net assets and liabilities		82,928,017	82,067,890

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 14/12 2020 and signed by:



Administrator of the Fund
Name: Teresa K Njeru



Fund Accountant
Name: Margaret Gachomo
ICPAK Member No; 14009

**Nyandarua County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	79,868,240	-	-	79,868,240
Surplus/(deficit) for the period	-	-	(350,350)	(350,350)
Funds received during the year	-	-	2,550,000	2,550,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	79,868,240	-	2,199,650	82,067,890
Balance as at 1 July 2019	82,067,890	-	-	82,067,890
Surplus/(deficit) for the period		-	860,127	860,127
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	82,067,890	-	860,127	82,928,017

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

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		1,522,946	225,291
Receipts from other operating activities		-	4,359
Total Receipts		1,522,946	229,650
Payments			
Fund administration expenses		658,100	580,000
General expenses		360	-
Finance cost		-	-
Total Payments		864,486	580,000
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	(43,640)	(1,240,299)
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
		(43,640)	
Net cash flows from operating activities		820,846	(350,350)
Cash flows from investing activities			

Nyanjira County Executive Committee Members' Car Loan and Mortgage Scheme Fund
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Purchase of property, plant, equipment and intangible assets		(-)	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		16,842,783	13,708,419
Loan disbursements paid out		(20,500,000)	(23,230,000)
Net cash flows used in investing activities		(3,657,217)	(10,761,880)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	20,000,000
Additional borrowings		-	(17,450,000)
Repayment of borrowings		(-)	-
Net cash flows used in financing activities		(-)	2,550,000
Net increase/(decrease) in cash and cash equivalents		(2,836,371)	(8,562,230)
Cash and cash equivalents at 1 JULY2019	11	24,796,337	33,358,567
Cash and cash equivalents at 30 JUNE 2020	11	21,959,966	24,796,337

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	(-)	-	-	(-)	
Transfers from County Govt.	30,000,000		30,000,000	0	30,000,000	0%
Interest income	-	-	-	-	(-)	100%
Other income	-	-	-	-	-	
Total income	30,000,000	-	30,000,000	0	30,000,000	0%
Expenses						
Fund administration expenses- Staff cost	900,000	-	900,000	662,459	-	73.6%
General expenses	-	-	-	360	(-)	100%
Finance cost	-	-	-	-	(-)	100%
Total expenditure	900,000	-	900,000	662,819	(-)	73.6%
Surplus for the period	-	-	-	(662,819)	-	

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12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

- a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1 st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.

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

c) Early adoption of standards

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

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

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

11. 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.

12. 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.

13. 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.

Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by PFM Act 2012 under the Ministry Its ultimate parent is the County Government of Nyandarua.

20. Currency

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

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

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

Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. 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
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2020			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund (Capital Injection)	82,928,017	82,418,240
Accumulated surplus	860,127	(350,350)
Total funds		82,067,890
Total borrowings	-	-
Less: cash and bank balances	(21,959,966)	(24,796,337)
Net debt/(excess cash and cash equivalents)	(21,959,966)	(24,796,337)
Gearing	0%	0%

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12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

2. Transfers from County Government

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

3. Fines, penalties and other levies

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

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans		
Interest income from car loans & mortgage	220,937	225,291
Interest income from investments	-	-
Interest income on Fund balance	1,302,009	-
Total interest income	1,522,946	225,291

5. Other income

Description	2019/2020	2018/2019
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	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		4,359
Total other income	-	4,359

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	662,459	580,000
Total	662,459	580,000

7. Staff costs

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	360	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	360	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Executive Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	21,959,966	24,796,337
Others	-	-
Total cash and cash equivalents	21,959,966	24,796,337

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	2019/2020	2018/2019
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Family Bank	037000009974	21,959,966	24,796,337
Bank B		-	-
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		21,959,966	24,796,337
Grand total		21,959,966	24,796,337

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	2,332,714	16,601,489
Other exchange debtors (Family bank)	-	1,240,299
Less: impairment allowance	(-)	-
Total Current receivables	2,332,714	17,841,786
Non-Current receivables		
Long term loan repayments due	58,635,337	39,429,767
Total Non- current receivables	58,635,337	39,429,767

Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund

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Total receivables from exchange transactions	60,968,051	39,429,767
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Additional disclosure on interest receivable

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

13. Revenue from Non-Exchange transaction

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

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

15. Inventories

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

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

**Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

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

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2019)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2020)	-	-	-	-

**Nyandarua County Executive Committee Members Car Loan and Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	57,310,834	-
Account receivable issued during the year (B)	20,500,000	-
Account receivable settled during the Year (C)	16,842,783	-
Net changes in account receivables D= A+B-C	60,968,051	-

22. CHANGES IN ACCOUNTS PAYABLE

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

23. Employee benefit obligations

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	860,127	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	(-)	-
Interest income		-
Working Capital adjustments		
Increase in inventory	(-)	-
Increase in receivables	(3,696,489)	(1,240,299)
Increase in payables	-	-
Net cash flow from operating activities	(2,836,371)	(1,240,299)

25. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

26. Contingent assets and contingent liabilities

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

(Give details)

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13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue <i>(Name and designation)</i>	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>

