

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KIAMBU COUNTY EXECUTIVE STAFF  
MORTGAGE SCHEME FUND**

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

PAPERS LAID	
DATE	02/03/2022
TABLED BY	DSMW
COMMITTEE	-
CLERK AT THE TABLE	CHANIA



Revised Template June2020



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**KIAMBU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



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*Kiambu County Executive staff Mortgage Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Kiambu County Executive Staff Fund is established by and derives its authority and accountability from Public Finance Management (*Kiambu County Executive Staff Mortgage Scheme Fund*) Regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

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

The Fund's principal activity is to provide loans to members of staff for purchase, development, renovation or repair of a residential property.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to:

- consider and approve all applications for a mortgage loan
- approve all housing development and financial proposals related to the fund.
- approve the criteria for the disbursement of funds
- perform other duties as may be directed by the county executive committee member for the proper management of the fund.

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

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Dr Martin Njogu Mbugua	County Secretary
2	Aquiline Njoki	Member- County Public Service Board
3	William Kimani	Chief Officer- Finance and Economic Planning
4	James Ndungu	Chief officer- lands Housing & physical planning
5	Stephen T Mwangi	Director- Human Resource Management
6	Jacob Macharia	Fund Administrator

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**d) Key Management**

Ref	Name	Position
1	Dr Martin NjoguMbugua	County Secretary
2	Aquiline Njoki	Member- County Public Service Board
3	William Kimani	Chief Officer- Finance and Economic Planning
4	James Ndungu	Chief officer- lands Housing & physical planning
5	Stephen T Mwangi	Director- Human Resource Management
6	Jacob Macharia	Fund Administrator

**e) Registered Offices**

P.O. Box 2344-00900  
County Headquarter Offices  
Kiambu Nairobi Highway  
Kiambu, KENYA

**f) Fund Contacts**

Telephone: (254)-0709877000  
mail:info@kiambu.go.ke  
Website: www.kiambu.go.ke

**g) FundBankers**

1. Family Bank  
Kiambu Branch  
Kiambu, Kenya

**h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
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

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

The fund does not have board of trustees but has a Loans management and advisory committee.

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**Kiambu County Executive Staff Mortgage Scheme Fund**  
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**1. MANAGEMENT TEAM**

Name	Details of qualifications and experience
 Dr Martin Njogu Mbugua	Date of Birth May 15, 1968 PHD Researcher and lecturer Over 20 years' experience County Secretary
 Aquiline Njoki	Date of Birth 08.08.1969 County Public Service Board Member Over ten years experience Member to the County Public Service Board
 William Kimani	Date of Birth 25.08.1977 Chief Officer Finance Over 15 years experience Chief Officer Finance and Economic planning
 James Ndungu	D.O.B 1982 Planner Over 10 years experience Chief Officer Lands, Housing and physical planning
 Stephen ThenyaMwangi	D.O.B 03.09.1966 Human resource management Over 20 year's experience Director human resource

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Jacob Macharia

D.O.B 07.12.1982

Accountant

Over 10 years experience

Fund administrator

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**2. BOARD / FUND CHAIRPERSON'S REPORT**

**Forward**

Kiambu County Executive Staff Fund is established by and derives its authority and accountability from Public Finance Management (*Kiambu County Executive Staff Mortgage Scheme Fund*) Regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

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

The Fund's principal activity is to provide loans to members of staff for purchase, development, renovation or repair of a residential property.

There were few changes in the management of the fund whereby the chief officer finance and economic planning and secretary to the County public service board were replaced during the financial year.

The fund disbursed a total of Ksh 12.4M in the financial year under review and the loans are performing normally. The fund wish in the near future to disburse loans to a big number of county executive staff in order to improve lives and livelihoods of its workforce.

The fund has started issuing mortgage loans to county executive committee members and finally roll out to other county staff in the near future

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



Wilson Mburu Kangethe

CECM FINANCE AND ECONOMIC PLANNING



**Kiambu County Executive Staff Mortgage Scheme Fund  
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**3. REPORT OF THE FUND ADMINISTRATOR**

Kiambu County Executive Staff Fund is established by and derives its authority and accountability from Public Finance Management (*Kiambu County Executive Staff Mortgage Scheme Fund*) Regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

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

The Fund's principal activity is to provide loans to members of staff for purchase, development, renovation or repair of a residential property.

The funds main mandate include:

- consider and approve all applications for a mortgage loan
- approve all housing development and financial proposals related to the fund.
- approve the criteria for the disbursement of funds
- perform other duties as may be directed by the county executive committee member for the proper management of the fund.

There were few changes in the management of the fund during the financial year 2019/20.

The fund disbursed a total of Ksh 12.4M in the financial year under review and the loans are performing normally. The fund wish in the near future to disburse loans to a big number of county executive staff in order to improve lives and livelihoods of its workforce.

The fund has started issuing mortgage loans to county executive committee members and finally roll out to other county staff in the near future

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

CPA Jacob Macharia



#### **4. CORPORATE GOVERNANCE STATEMENT**

Currently the fund does not have board of trustees and thus there is no corporate governance structure.

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## **5. MANAGEMENT DISCUSSION AND ANALYSIS**

The committee usually holds management and advisory committees when need arises to review various requests by members of staff.

Upon approval of various requests and depending on availability of funds the financial institution tasked with the process of issuing Mortgage loans evaluates the ability to pay of various applicants and process the requests accordingly.

During the financial year under review, the fund disbursed amounts of Ksh 12.4 Million. The fund complies with the Public Finance Management Act 2012 and Kiambu County Executive Staff Mortgage Scheme Fund regulations 2016.

**6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The fund didn't undertake any Corporate Social Responsibility in the period under review.

**7. REPORT OF THE TRUSTEES**

The fund currently does not have board of trustees but its run by the management team.

**Kiambu County Executive Staff Mortgage Scheme Fund  
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**8. 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 (*The public Finance Management Act 2012 and Kiambu County Executive staff mortgage scheme fund regulations, 2016*) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*Kiambu County Executive staff mortgage scheme fund regulations, 2016*). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

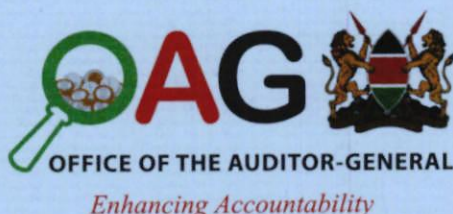
**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 30/6/ 2020 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA



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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 KIAMBU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kiambu County Executive Staff Mortgage Scheme Fund set out on pages 15 to 33, which comprise 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kiambu County Executive Staff 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 do not comply with the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1.0 Inaccuracies in the Financial Statements

##### 1.1 Statement of Cashflows

The statement of cashflows reflects decrease in accounts receivable balance of Kshs.7,459,683 which differs with the movement of Kshs.7,461,868 in the statement of financial position by Kshs.2,185. Further, movement shown in the statement of financial position for amount lend to borrowers of Kshs.67,200,000, prepaid loan instalments of Kshs.1,986 and ledger fee payable Kshs.200 have been omitted in the statements of cashflows.

In the circumstances, the accuracy of the statement of cashflows for the year ended 30 June, 2020 could not be confirmed.

##### 1.2 Notes to the Financial Statements

The statement of financial position reflects comparative loan arrears receivable of Kshs.1,286,573. However, the respective Note 7 to the financial statements reflects nil amount resulting in an unexplained difference of Kshs.1,286,573.

In the circumstances, the accuracy of Note 7 to the financial statements could not be confirmed.

## **2.0 Long Term Receivables**

The statement of financial position as at 30 June, 2020 reflects long term receivables balance of Kshs.44,768,132 (2019 – Kshs.50,943,427). The balance relates to loan advanced to five members of Kiambu County Executive including a former Governor. However, the Fund Administrator did not provide receivables ledger indicating the amount of loans advanced, interest receivable, interest received and balance of loan outstanding at the end of the period. In addition, individual loan statements for the beneficiaries and age analysis of the loan balances were also not provided for audit.

Consequently, the accuracy and completeness of the long-term receivable balance of Kshs.44,768,132 as at 30 June, 2020 could not be confirmed.

## **3.0 Trade Payables**

The statement of financial position as at 30 June, 2020 reflects trade payables balance of Kshs.1,951,549 (2019 – Kshs.1,776,184). Similarly, payables ledger showing dates incurred, original amounts, amount paid and age analysis were not provided for audit review.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.1,951,549 as at 30 June, 2020 could not be confirmed.

## **4.0 Failure to Disclose Unresolved Prior Year Audit Issues**

In the report for the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Fund Administrator has not disclosed the issues and progress on follow up of auditor's recommendations in these financial statements. The financial statements presented did not therefore comply with the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu County Executive Staff 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 adverse 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.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Defaulted Loan**

According to records presented for audit, a former official of the County Government who was advanced a loan of Kshs.32,000,000 has defaulted on loan repayment since 2019. Further, no evidence was provided indicating that the Fund Administrator caused a charge on assets acquired through the Mortgage facility to enable the administrator to call in the loan and sell the charged property by public auction or private treaty in case of default. In addition, the loan has not been subjected to the prevailing commercial rate contrary to Section 19(4) of the Kiambu County Executive Staff Mortgage Scheme Fund Regulations, 2016 which provides that where a beneficiary leaves the service of the County Government before serving his/her full employment contract period, the Fund Management may grant the borrower a maximum period of four months to repay the outstanding loan balance in full or subject the balance to the prevailing market rate.

No explanation has been provided for the breach of the Regulations and the county could lose the funds if urgent action is not instituted to recover the loan.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund 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 sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**11 February, 2022**

*Kiambu County Executive Staff Mortgage Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**10. FINANCIAL STATEMENTS**

**10.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	FY2019 / 2020	FY2018 / 2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	-	20,000,000
Fines, penalties and other levies			
<b>Revenue from exchange transactions</b>			
Interest income	2	1,951,549	1,508,834
Other income		-	-
		-	-
<b>Total revenue</b>		<b>1,951,549</b>	<b>21,508,834</b>
<b>Expenses</b>			
Fund administration expenses	3	1,951,749	1,508,834.44
Disbursement from the fund	4	-	13,200,000
General expenses – bank charges	5	14,880	14,460
Finance costs		-	-
<b>Total expenses</b>		<b>1,966,629</b>	<b>14,723,294.44</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	0
<b>Surplus/( deficit)for the period</b>		<b>(15,080)</b>	<b>6,785,540</b>

The notes set out on pages 28 to 34 form an integral part of these Financial Statements

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**10.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	37,146,678	29,526,711
Loan arrears receivable	7	-	1,286,573
Interest receivable	8	-	-
		<b>37,146,678</b>	<b>30,813,284</b>
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables	9	44,768,132	50,943,427
<b>Total assets</b>		<b>81,914,810</b>	<b>81,756,711</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable	10	1,951,549	1,776,183.80
Ledger fee payable		-	200
Current portion of borrowings		-	-
Prepaid loan instalments	11	-	1,986
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
Amounts lend to borrowers	12	-	67,200,000
<b>Total liabilities</b>		<b>1,951,549</b>	<b>68,976,383.80</b>
<b>Net assets</b>			
Revolving Fund		74,000,000	0
Reserves		-	5,992,801.27
Accumulated surplus		5,963,261	6,785,540
<b>Total net assets and liabilities</b>		<b>81,914,810</b>	<b>81,756,711</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/2020 and signed by:

\_\_\_\_\_  
 Administrator of the Fund  
 Name:

\_\_\_\_\_  
 Fund Accountant  
 Name:  
 ICPAK Member Number:

**Kiambu County Executive staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
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**STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	<b>54,000,000</b>	-	<b>5,992,801</b>	<b>59,992,801</b>
Surplus/(deficit) for the period	-	-	-14,460	-14,460
Funds received during the year	20,000,000	-	-	20,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>74,000,000</b>	-	<b>5,978,341</b>	<b>79,978,341</b>
<b>Balance as at 1 July 2019</b>	<b>74,000,000</b>	-	<b>5,978,341</b>	<b>79,978,341</b>
Surplus/(deficit) for the period	-	-	-15,080	-15,080
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>74,000,000</b>	-	<b>5,963,261</b>	<b>79,963,261</b>

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**10.3. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	-	20,000,000
Interest received	2	1,951,549	1,721,184
Receipts from other operating activities			
<b>Total Receipts</b>		<b>1,951,549</b>	<b>21,721,184</b>
<b>Payments</b>			
Fund administration expenses		1,951,749	
General expenses bank charges	5	14,880	14,460
Finance cost			
<b>Total Payments</b>		<b>1,966,629</b>	<b>14,460</b>
<b>Net cash flows from operating activities</b>		<b>-15,080</b>	<b>21,706,724</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from loan principal repayments	14	-	14,540,030
Loan disbursements paid out	4	-	(13,200,000)
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>1,340,030</b>
Adjusted for:			
Decrease/(Increase) in Accounts receivable:	24	7,459,683	
Increase/(Decrease) in Accounts Payable:	25	175,365	
		<b>7,635,048</b>	
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>7,619,968</b>	<b>23,046,754</b>
Cashandcashequivalentsat1JULY		29,526,711	6,479,957
<b>Cashandcashequivalentsat30 JUNE</b>		<b>37,146,679</b>	<b>29,526,711</b>

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**10.4. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations						
Transfers from County Govt.	0	0	50,000,000	20,000,000	30,000,000	40%
Interest income	0	-	1,508,834.44	1,508,834.4	0	100%
Other income	-	-	-	-	-	
<b>Total income</b>	<b>0</b>	<b>0</b>	<b>51,508,834.44</b>	<b>21,508,834.44</b>	<b>30,000,000</b>	<b>40%</b>
<b>Expenses</b>						
Fund administration expenses	0	-	1,508,834.44	1,508,834.4	0	100%
Staff costs	-	-	-	-	-	
General expenses - bank charges	0	-	14,460	14,460	0	100%
Loan disbursements	0	-	49,000,000	13,200,000	40,800,000	100%
<b>Total expenditure</b>	<b>0</b>	<b>-</b>	<b>50,523,294.44</b>	<b>14,723,294.44</b>	<b>0</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>0</b>	<b>-</b>	<b>985,540</b>	<b>6,785,540</b>	<b>(10,800,000)</b>	



**10.5. 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 2018**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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 which are covered purely under Public Sector combinations as amalgamations.

**c) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.



**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 2017/2018 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 appropriations of mortgage on the 2017-2018 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. 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.

**6. 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.

**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 cashflows 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. 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.

**8. 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**9. 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.

**10. 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.

**11. Comparative figures**

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

**12. Events after the reporting period**

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

**13. Ultimate and Holding Entity**

The entity is a County Public Fund established by PFM Act (*state the legislation establishing the Fund*) under the Department of Executive. Its ultimate parent is the County Government of Kiambu.

**14. Currency**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**15. 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.



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**10.6. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Month of January 2019	-	20,000,000
<b>Total</b>	<b>0</b>	<b>20,000,000</b>

**2. Interest income**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income	1,951,549	1,508,834
<b>Total interest income</b>	<b>1,951,549</b>	<b>1,508,834</b>

**3. Fund administration expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan processing costs	1,951,749	1,508,834
Professional services costs	-	-
<b>Total</b>	<b>1,951,749</b>	<b>1,508,834</b>

**4. Loan disbursements**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Ferdinand Ndungu		
James Nyoro		
Martin Njogu	0	5,000,000
Francis Kigo	0	4,200,000
James Mitambo	0	4,000,000
<b>Total</b>	<b>0</b>	<b>13,200,000</b>

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*Kiambu County Executive staff Mortgage Scheme Fund*  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Bank charges**

<b>Description</b>	<b>FY2019/2020</b>	<b>FY2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Family bank account no. 001000040515	7,000	7,410
Family bank account no. 001000040516	7,880	7,050
<b>Total</b>	<b>14,880</b>	<b>14,460</b>

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**Kiambu County Executive staff Mortgage Scheme Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Cash and cash equivalents**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Family bank account no. 001000040515	382,151	12,789,831
Family bank account no. 001000040516	36,764,527	16,736,880
<b>Total cash and cash equivalents</b>	<b>37,146,678</b>	<b>29,526,711</b>

**7. Loan repayment receivable**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Loan receivable		
<b>Total</b>		

**8. Interest Receivable**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Long term loan receivable**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Long term loan receivable	44,768,132	50,943,427
<b>Total</b>	<b>44,768,132</b>	<b>50,943,427</b>

**10. Trade payable**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Family Bank ( fund administrator)	1,951,549	1,776,183.80
<b>Total</b>	<b>1,951,549</b>	<b>1,776,183.80</b>



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**11. loan prepayments**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Loan prepayments</b>		
Martin Njogu	0	1,104.60
Francis Kigo	0	881.24
<b>Total</b>	<b>0</b>	<b>1,985.84</b>

**12. Amounts lend to Borrowers (capital)**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Loans issued</b>		
Ferdinanddungu	0	32,000,000
James Nyoro	0	22,000,000
Martin Njogu	0	5,000,000
Francis Kigo	0	4,200,000
James Mitambo	0	4,000,000
<b>Total</b>	<b>0</b>	<b>64,200,000</b>

**13. interest received**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
<b>Loans issued</b>		
Ferdinand dungu	0	975,622.84
James Nyoro	0	615,740.70
Martin Njogu	0	59,926.04
Francis Kigo	0	40573.12
James Mitambo	0	29,321.10
<b>Total</b>	<b>0</b>	<b>1,721,183.8</b>

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**14. Principal Loan Repayments**

Proceeds from loan principal repayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Ferdinard Ndungu	0	8,092,201.16
James Nyoro	0	5,376,461.30
Martin Njogu	0	517,183.96
Francis Kigo	0	382,174.88
James Mitambo	0	172,008.90
<b>Total</b>	<b>0</b>	<b>14,540,030.20</b>

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**Kiambu County Executive staff Mortgage Scheme Fund**  
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**13. PROGRESS ON FOLLOW UP OF AUDITOR 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.

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

**Guidance Notes:**

The fund was audited in the financial year 2019/20 and draft report was issued and issues raised were responded to. We are awaiting the final report from the auditor general.

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