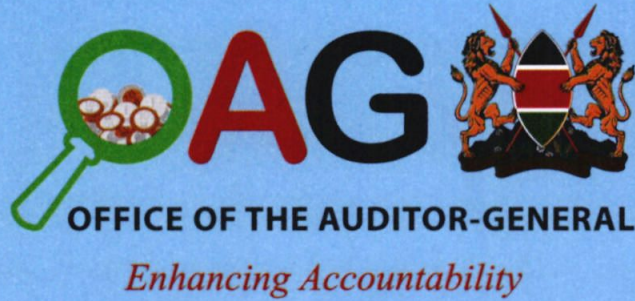
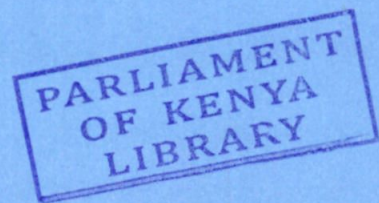


REPUBLIC OF KENYA



REPORT

OF



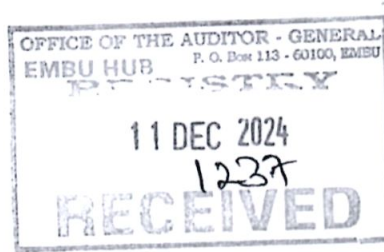
THE AUDITOR-GENERAL

ON

EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (COMMITTEE MEMBERS) SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2024

| PAPERS LAID | |
|--------------------|--------------|
| DATE | 6/3/2025 |
| TABLED BY | Dep Maj Whip |
| COMMITTEE | |
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**EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE
(COMMITTEE MEMBERS) SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024

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***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

1. Acronyms, Abbreviations, and Definition of Key Terms

Acronyms

| | |
|-------|--|
| BOM | Board of Management |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| PFM | Public Finance Management |
| PSASB | Public Sector Accounting Standards Board |
| KSHS | Kenya Shillings |
| DBK | Development Bank of Kenya |
| ECG | Embu county Government |
| CECM | County Executive Committee Member |
| CS | County Secretary |

Fiduciary Management - Members of Management that are directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year- Means the prior period.

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 (1) of the Public Finance Management Act, 2012 requires that, a county public fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board.

For proper management of the fund and as advised by the SRC in the circular under the reference, Embu County Executive legislated The PFM (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund Regulations, 2018 to guide in the operationalization of the fund. As advised by the SRC and provided for under the said Regulations, paragraph 20 of the Regulations gives powers to the Members Car Loan and Mortgage Scheme Management Committee to appoint a banking institution to manage the fund.

For the Financial Year Ended 30th June 2024, the fund was under the management of Winas Sacco Ltd. The role of the Sacco is to manage the fund due to their technical capacity and expertise.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 provided guidelines for state and public officers' access to car loan and mortgage benefits. Arising therefrom, in exercise of the powers conferred by section 116 of the PFM Act, 2012, the County Executive Committee Member for Finance made the following regulations:- THE PUBLIC FINANCE MANAGEMENT (EMBU COUNTY EXECUTIVE CAR AND MORTGAGE LOAN (COMMITTEE MEMBERS) SCHEME FUND) REGULATIONS, 2018 to guide the formation and operationalization of the fund.

The fund is wholly owned by the County Government of Embu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car loans and mortgage to The County Executive Committee Members.

Vision

“The fund of choice for County Executive.”

Mission

“To provide affordable, accessible and sustainable car and mortgage loans to County Executive Committee Members.”

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

c) Fund Administration Committee

| Ref | Name | Position |
|-----|----------------------------|-----------------------------|
| 1 | Ruria Amy Grace | County Secretary – Chairman |
| 2 | Damiano Muthee | Vice-Chairman |
| 3 | Pius Mukundi | Fund Administrator |
| 4 | Prof. Kinyua Nyaga Kamaria | Member |
| 5 | Daniel Ngeranwa | Member |
| 6 | Jane E.G Waroga | Member |
| 7 | Raymond Njagi Kinyua | Member |
| 8 | Florence Ndinda Musyoka | Member |

d) Key Management

| Ref | Name | Position |
|-----|----------------------------|--------------------|
| 1 | Ruria Amy Grace | Chairman |
| 2 | Damiano Muthee | Vice-Chairman |
| 3 | Pius Mukundi | Fund Administrator |
| 4 | Prof. Kinyua Nyaga Kamaria | Member |

e) Fiduciary Oversight Arrangements

| Ref | Position | Name |
|-----|--------------------|----------------------------|
| 1 | Fund Administrator | Pius Mukundi |
| 2 | Head of Finance | Damiano Muthee |
| 3 | Head of Treasury | Prof. Kinyua Nyaga Kamaria |
| 4 | County Secretary | Ruria Amy Grace |

f) Registered Offices

P.O. Box 36 - 060100
Town Hall
Along Embu-Meru Road
Embu, KENYA

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

g) Fund Contacts

- h) Telephone: (254) 728123456
- i) E-mail: info@embucounty.go.ke
- j) Website: www.embucounty.go.ke

k) Fund Bankers

Family Bank
Embu Branch

Winas Sacco Ltd
Embu

l) Independent Auditors

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

m) Principal Legal Adviser

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

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

3. THE BOARD OF DIRECTORS/ FUND COMMITTEE



The board of directors/ fund committee during the financial year consisted of:

| Ref | Name | Position |
|------------|----------------------------|-----------------------------|
| 1 | Ruria Amy Grace | County Secretary – Chairman |
| 2 | Damiano Muthee | Vice-Chairman |
| 3 | Pius Mukundi | Fund Administrator |
| 4 | Prof. Kinyua Nyaga Kamaria | Member |
| 5 | Daniel Ngeranwa | Member |
| 6 | Jane E.G Waroga | Member |
| 7 | Raymond Njagi Kinyua | Member |
| 8 | Florence Ndinda Musyoka | Member |



Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund Annual Reports and Financial Statements for the Financial Year ended 30 June 2024

4. KEY MANAGEMENT TEAM

The management team during the financial year consisted of:

| Name | Details of qualifications and experience |
|--|--|
| <p>1. Miss. Ruria Amy Grace, RCrim</p>  | <p><u>Qualifications:</u> Masters of Science in governance & leadership Degree – Education, UON Diploma – Public administration, KSG Diploma – National Security & Diplomacy Certificate – Mt. Kenya School of Adventure & Leadership Certificate – Senior Management Course, KSG Certificate – Tribunal Administrative justice.</p> <p><u>Experience.</u> Under Secretary in state department for Cabinet affairs Personal assistant – Principal secretary Coordination and preparing Cabinet memos, policy brief & other relevant communiques Coordinate submission of presidential directives. Overseeing the administrative, security and logistical affairs in the ministry</p> |
| <p>2. Prof: Kinyua Nyaga Kamaria</p>  | <p><u>Qualifications:</u> Doctor of management – Leadership and management Masters Arts – Organisational leadership Masters Business Administration – strategic management Bsc. – Finance & Accounting Certified Public Accountant</p> <p><u>Experience</u> United Nations senior Financial analyst Chase Bank – Finance & strategic Director United States International University – Professor, Finance & Strategy Oxford University – Regional Finance & Operational Director</p> |
| | |

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

| | |
|---|--|
| <p>3. Pius Mukundi</p>  | <p><u>Qualifications:</u> Degree: B.com (Accounting) from CUEA, CPA (K) - KASNEB CPS (K) - KASNEB Masters in Strategic Management (Ongoing) - KU</p> <p><u>Experience.</u> Audit, Finance, Accounting and Administration.</p> |
| <p>4. Domiano Muthee Njagi</p>  | <p><u>Qualifications:</u> Degree in Art & Economics from the University of Egerton Diploma in Human Resource Management - KIM. CPA(K)- KASNEB CPS(K)- KASNEB</p> <p><u>Experience</u> Chief Officer Finance – Finance, Accounting and Administration.</p> |

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

5. CHAIRMAN'S STATEMENT

It is my pleasure to present, on behalf of the board of trustees, the Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund Annual Reports and Financial Statements for the financial year ending 30th June 2024. The fund was transitioning from one fund manager to another and the process took longer than anticipated.

Sustainability

The fund is in the process of conducting an assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund is also in the process of reviewing its current resource mobilization strategies and proposing feasible sustainability financing options.

Changes in the Fund during the year

During the year under review, there were personnel changes in the office of the Chief Officer of Finance. Mr. Paul N. Thiga was replaced by Mr. Damiano Muthee. Consequently, Mr. Pius Mukundi was appointed the Fund Administrator in the same period.

Review of performance

Income

The fund was established with a revolving fund amounting to Kshs. 110,000,000 from the county government of Embu. The fund generated income of Kshs. 1,728,267 for the year ended 30th June 2024.

Expenditures

The fund incurred Kshs. 400,826 as administrative expenses during the year under review.

Future outlook

The outlook of the Fund for the financial year 2024/2025 looks brighter. The fund's focus is to build robust and sustainable fund structures that enhance efficiency and effectiveness in service delivery. The fund looks forward to continued support from the county government and other stakeholders to the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management staff and fellow board of directors for their continued support which made us achieve these results.

May God bless the Embu County Government.

Signed:



Miss. Ruria Amy Grace
Board Chairman

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

6. REPORT OF THE CHIEF EXECUTIVE OFFICER/ FUND ADMINISTRATOR

It is my pleasure to present the Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund reports and financial statements for the financial year ended 30th June 2024.

Financial Performance

a) Revenue

The fund generated Kshs. 1,728,267 as interest income from the disbursed loans during the year under review.

Loans

During the financial year ended 30th June 2024, the fund disbursed loans amounting to KShs. 90,000,000 from the revolving fund. This was despite delays in transferring the funds from Development Bank of Kenya to the new fund managers, Winas Sacco Ltd, appointed under paragraph 20 of the PFM (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund) Regulations, 2018, that took place towards the end of the financial year.

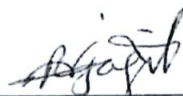
Cash flows

The cash and cash equivalents stood at KShs. 41,162,420 as at 30th June 2024.

b) Conclusion

The management committee has identified gaps and areas to improve in fund administration to ensure compliance with the regulations and SRC circulars. I commend the members of the fund for their consistency in repaying their loans.

I take this opportunity to thank the board of directors for their support. I would also like to thank all staff whom we have worked hand in hand to ensure that Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund achieve its mission.

Signed:  _____

Pius Mukundi

Fund Administrator

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED
OBJECTIVES FOR FY 2023/2024**

Introduction

Section 167 (1) of the Public Finance Management Act, 2012 requires that, a county public fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board. The Reports and financial statements shall include a statement of the county government fund's performance against predetermined objectives.

The key development objectives of the Embu County Government Entity's plan are to:

- a) Provide car and mortgage loans to the Embu County Executive Committee Members.

Progress on attainment of Strategic development objectives for Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund.

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|-----------------------|---|---|---------------------------|--|
| Mortgage and Car Loan | To offer affordable mortgage and car loans to the executive committee | Increased efficient transportation of people, goods and services and Affordable housing | % of issued loan amounts. | The fund issued 6 loans to members of the scheme representing 82% of available funds. |
| | | | | |

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

8. CORPORATE GOVERNANCE STATEMENT

THE FUND

The Embu County Executive Car Loan and Mortgage (Management Committee) Scheme Fund is a revolving fund established under the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 as well as under the Public Finance Management (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund) Regulations, 2018. Its mandate is to provide car and mortgage loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of directors at its apex. The operations of the fund are governed by a PFM (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund, Regulations 2018. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

THE MANAGEMENT OF THE FUND

The Regulations of 2018 provides the establishment of a committee to be known as the Members Car Loan and Mortgage Scheme Management Committee which shall consist of the Chairman and seven other members as outlined in the regulations. The Management Committee is responsible for the long-term strategic direction of the fund.

The Fund Administrator shall be the County Principal Finance Officer who shall be the ex-official member and secretary to the committee. The management committee shall exercise leadership, enterprise, integrity, and judgment in directing the Fund.

The directors are provided with full, appropriate, and timely information that enables them to maintain full and effective control over the strategic, financial, operational, and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator and fund managers.

All members of the management committee have been taken through a comprehensive induction program, and are adequately trained in their roles as committee members. The committee members are professional, committed, and guided by the mission, vision, and core values of the Fund in the execution of their duties. At the end of each financial year, the committee and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

COMMITTEE MEETINGS

The management committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan. The committee also plays an oversight role over all other financial and operational issues. The committee held four full board meetings during the year ended 30 June 2024.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

STATEMENT OF COMPLIANCE

The management committee confirms that the fund has throughout the period under review complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The management committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances that may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Leadership Structure

A clear leadership structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of the management committee are maintained both through the selection process and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that the committee develops and maintains the required skills to fulfil its responsibilities and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The committee on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

STATEMENT OF CORPORATE GOVERNANCE (Continued)

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the loans committee. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the financial year ended 30 June 2024.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The risk management framework is regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the County head of internal audit, who reviews all the risks in the fund and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit committee to assist the management committee in the management of risks. In the financial year 30 June 2024, no major risk was reported which affected the administration of the fund.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team met regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor General.

9. MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow and the management has put measures in place to safeguard against risks.

The fund's activities expose it to a variety of financial risks including credit and liquidity risks. 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 Executive Committee Members with established credit history, sufficient security and the loan maturity date does not go beyond their contract period.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that loan deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

The fund retained Kshs. 111,327,441 as capital for the financial year ended 30 June 2024. The fund remained liquid throughout the year. The fund is projecting continued support from the county government.

Cash flow

The cash and cash equivalents stood at Kshs. 41,162,420 as at 30 June 2024.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been offering car and mortgage loans to members of the County Executive Committee Members.

Employees

Human capital is a critical ingredient in ensuring the realization of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

Conclusion

We appreciate the unrelenting support from the board of directors, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in subsequent periods.

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the financial ended 30 June 2024, and before the onset of long rains in the month of April 2024, the fund carried out its corporate social responsibility activities through collaboration with the county government in tree planting exercises in primary schools, along our streets, roads and river banks in Embu County.

We are looking forward to getting involved more in these and other areas, and the management team has been tasked with coming up with more CSR ideas.

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024***

11. REPORT OF THE DIRECTORS/ FUND COMMITTEE

The directors submit their report together with the financial statements for the financial year ended 30 June 2024 which shows the state of the Fund affairs.

Principal activities

The principal activity of the Fund is to provide financing to the executive committee members for the purchase of vehicles and/or construction of, or purchase of houses by members of the scheme.

Results

The results of the Fund for the financial year ended 30 June 2024 are set out on pages 21 to 44.

Trustees

The members of the Management Committee who served during the period are shown on page viii. There was a change in the Management Committee during the financial year ended 30 June 2024 as indicated on page x.

Auditors

The Auditor General is responsible for the statutory audit of the Fund under Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Chair of the Board/ Fund Administration Committee

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024**

12. STATEMENT OF DIRECTORS/ FUND COMMITTEE RESPONSIBILITIES

Section 167 (1) of the Public Finance Management Act, 2012 requires that, the Administrator of a County Public Fund shall prepare financial statements for the Fund for each financial year in a form prescribed by the 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 and as at the end of the financial year ended on 30 June 2024. 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 30 June 2024, 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 Reports and Financial Statements were approved by the Board on 27/11/2024
2024 and signed on its behalf by:



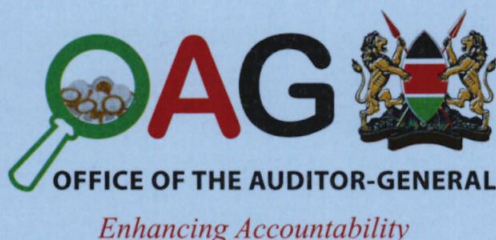
Ruria Amy Grace
Chairperson of the Board/Fund Committee



Pius Mukundi
Accounting Officer/ Fund
Administrator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (COMMITTEE MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund set out on pages 1 to 24, which

comprise the statement of financial position as at 30 June, 2024 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, the financial statements present fairly, in all material respects, the financial position of Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

The Management is responsible for the other information set out on page iii to xix which comprise of Fund's Information and Overall Performance, Statement of Performance against Fund's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Fund's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing 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

The audit was conducted in accordance with ISSAI 3000 and 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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention 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 comply 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 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2024

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024

14. **STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

| | Note | 2023/2024 | 2022/2023 |
|---|------|------------------|-----------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 1 | 0 | 0 |
| Transfers from the County Government | 2 | 0 | 0 |
| Fines, penalties and other levies | 3 | 0 | 0 |
| | | 0 | 0 |
| Revenue from exchange transactions | | | |
| Interest income | 4 | 1,728,267 | 0 |
| Other income | 5 | 0 | 0 |
| | | | |
| Total revenue | | 1,728,267 | 0 |
| Expenses | | | |
| Fund administration expenses | 6 | 399,000 | 0 |
| General Expenses | 8 | 1,826 | 0 |
| Finance costs | 9 | 0 | 0 |
| Total expenses | | 400,826 | 0 |
| | | | |
| Other gains/(losses) | | | |
| Gain/(loss) on disposal of assets | | 0 | 0 |
| Surplus/(deficit) for the period | | 1,327,441 | 0 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity Annual statements were approved on 27/11/2024 and signed by:

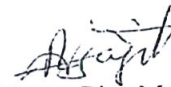


Name: Amy Grace Ruria

Chairman of the Fund



Name: Jeseo Karanja
ICPAK M/No. 16466
Accountant



Name: Pius Mukundi
ICPAK M/No. 20125
Fund Administrator

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

| | Note | FY 2023/2024 | F 2022/2023 |
|---|------|--------------------|--------------------|
| | | KShs | KShs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 41,162,420 | 110,000,000 |
| Current portion of long-term receivables from exchange transactions | 11 | 20,829,832 | 0 |
| Total current assets | | 61,992,252 | 0 |
| Non-current assets | | | |
| Long-term receivables from exchange transactions | 11 | 49,335,189 | 0 |
| Total Non-current assets | | 49,335,189 | 0 |
| Total assets | | 111,327,441 | 110,000,000 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | | - | - |
| Total liabilities | | - | - |
| Net assets | | 111,327,441 | 110,000,000 |
| Revolving Fund Capital | | 110,000,000 | 110,000,000 |
| Reserves | | - | - |
| Accumulated surplus | | 1,327,441 | - |
| Total equity | | 111,327,441 | 110,000,000 |

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 27/11 2024 and signed by:



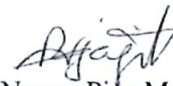
Name: Amy Grace Ruria

Chairman of the Fund



Name: Jese Karanja
ICPAK M/No. 16466

Accountant



Name: Pius Mukundi
ICPAK M/No. 20125

Fund Administrator

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30 JUNE 2024**

| | Revolving Fund (Mortgage Fund) | Revaluation Reserve | Accumulated Surplus | Total |
|-----------------------------------|---|------------------------|------------------------|--------------------|
| | | KShs | KShs | KShs |
| Balance as at 1 July 2022 | 110,000,000 | - | - | 110,000,000 |
| Surplus/(deficit) for the period | 0 | - | - | 0 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2023 | 110,000,000 | - | - | 110,000,000 |
| Balance as at 1 July 2023 | 110,000,000 | - | - | 110,000,000 |
| Surplus/(deficit) for the period | - | - | 1,327,441 | 1,327,441 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2024 | 110,000,000 | - | 1,327,441 | 111,327,441 |

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

| | Note | FY2023/2024 | FY2022/2023 |
|---|-------------|---------------------|--------------------|
| | | KShs | KShs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | | 0 | 0 |
| Transfers from the County Government | | 0 | 0 |
| Interest received | 4 | 1,728,267 | 0 |
| Receipts from other operating activities | | 0 | 0 |
| Total Receipts | | 1,728,267 | 0 |
| Payments | | | |
| Fund administration expenses | 6 | 399,000 | 0 |
| General expenses | 8 | 1,826 | 0 |
| Finance cost | | 0 | 0 |
| Total Payments | | 400,826 | 0 |
| Net cash flows from operating activities (a) | | 1,327,441 | 0 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (0) | (0) |
| Proceeds from sale of property, plant and equipment | | 0 | 0 |
| Proceeds from loan principal repayments | 15 | 19,834,979 | 0 |
| Loan disbursements paid out | 14 | (90,000,000) | 0 |
| Net cash flows used in investing activities (b) | | (70,165,021) | 0 |
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | 0 | 0 |
| Repayment of borrowings | | 0 | 0 |
| Net cash flows used in financing activities (c) | | 0 | 0 |
| Net increase/(decrease) in cash and cash equivalents (a+b+c) | | (68,837,580) | 0 |
| Cash and cash equivalents at 1 July 2023 | | 110,000,000 | 110,000,000 |
| Prior year adjustments | 13 C | 0 | (0) |
| Cash and cash equivalents at 30 June 2024 | 10 | 41,162,420 | 110,000,000 |

*Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Financial Year ended 30 June 2024*

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Utilisation |
|--|------------------|-------------|------------------|----------------------------|------------------------|---------------|
| | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 | 2023-2024 |
| | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | |
| Public contributions and donations | 0 | 0 | 0 | 0 | - | - |
| Transfers from County Govt. | 0 | 0 | 0 | 0 | - | - |
| Interest income | 2,200,110 | - | 2,200,110 | 1,728,267 | 471,843 | 79% |
| Other income | - | - | - | - | - | - |
| Total income | 2,200,110 | - | 2,200,110 | 1,728,267 | 471,843 | 79% |
| | | | | | | |
| Expenses | | | | | | |
| Fund administration expenses | 2,198,110 | - | 2,198,110 | 399,000 | 1,799,1100 | 18% |
| General expenses | 2,000 | - | 2,000 | 1,826 | 174 | 91% |
| Finance cost | - | - | - | - | - | - |
| Total expenditure | 2,200,110 | - | 2,200,110 | 400,826 | 1,799,284 | 18% |
| Surplus/ Deficit for the period | - | - | - | 1,327,441 | (1,327,441) | - |

Notes:

a) The interest income budget was based on assumption that the entire fund of Kshs. 110,000,000 would be disbursed. Only Kshs. 90,000,000 was disbursed during the year, negatively affecting the interest income. This shortfall also negatively affected the expenditure on fund administration.

19. 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 2024.

| Standard | Effective date and impact: |
|---------------------------------------|--|
| IPSAS 39: Employee Benefits | Applicable: 1st January 2018 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 effective in the year ended 30 June 2024

| Standard | Effective date and impact: |
|---|--|
| IPSAS 40: Public Sector Combinations | Applicable: 1st 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 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 the year ended 30 June 2024.

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024

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 2023/2024 was approved by the Fund Committee in a sitting held on 27 July 2023. 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 to conclude the final budget. Accordingly, the Fund did not record any additional appropriation in the financial year 2023-2024.

The entity's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an 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 12.5 of these financial statements.

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.

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024***

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 an entity of financial assets is impaired. A financial asset or an 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 an 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 labor 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.

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024

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.

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 Fund Administrator and the Fund Accountant.

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 Family Bank Ltd and Winas Sacco Ltd 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

Comparative figures are as per the financial statements for the year ended 30 June 2023 as these are the figures which are most reflective of the current financial position and have been audited.

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

18. Ultimate and Holding Entity

The entity is a County Public Fund recognised under Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Embu County Executive.

19. Currency

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

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

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. There were no provisions raised in the financial year ended 30 June 2024.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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 committee. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company’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 2023 | | | | |
| Receivables from exchange transactions | | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2024 | | | | |
| Receivables from exchange transactions | 70,165,021 | 70,165,021 | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | 41,162,420 | 41,162,420 | - | - |
| Total | 111,327,441 | 111,327,441 | - | - |

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
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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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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.

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 Management Committee.

The Management Committee is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

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

i. Foreign currency risk

The entity has no 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company'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. The fund's fixed deposits attract interest at a rate of 0% hence not affected by interest fluctuations.

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/ decrease by one percentage point.

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:

| | 2023-2024 | | 2022/2023 |
|---|--------------------|--|-----------|
| | KShs | | KShs |
| Revaluation reserve | - | | - |
| Revolving fund | 110,000,000 | | - |
| Accumulated surplus | 1,728,267 | | - |
| Total funds | 111,728,267 | | - |
| | | | - |
| Total borrowings | - | | - |
| Less: cash and bank balances | 41,162,420 | | - |
| Net debt/(excess cash and cash equivalents) | - | | - |
| Gearing | 70,565,847 | | - |

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024**

20. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

| Description | FY. 2023/2024 | FY. 2022/2023 |
|------------------------------------|---------------|---------------|
| | KShs | KShs |
| Donation from development partners | - | - |
| Contributions from the public | - | - |
| Total | - | - |

These refer to donations received from domestic and foreign donors. The funds include donations received directly by the County Government and those that are received by the National Government first and disbursed to the County.

2. Transfers from County Government

| Description | FY. 2023/2024 | FY. 2022/2023 |
|--|---------------|--------------------|
| | KShs | KShs |
| Transfers from County Govt. – operations | - | 110,000,000 |
| Payments by County on behalf of the entity | - | - |
| Total | - | 110,000,000 |

3. Fines, penalties and other levies

| Description | FY2023/2024 | FY2022/2023 |
|------------------------|-------------|-------------|
| | KShs | KShs |
| Late payment penalties | - | - |
| Fines | - | - |
| Total | - | - |

4. Interest income

| Description | FY2023/2024 | FY2022/2023 |
|-------------------------------------|------------------|-------------|
| | KShs | KShs |
| Interest income from mortgage loans | 1,728,267 | - |
| Interest income from car loans | - | - |
| Total interest income | 1,728,267 | - |

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
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5. Other income

| Description | FY. 2023/2024 | FY. 2022/2023 |
|--------------------------------------|---------------|---------------|
| | KShs | KShs |
| Insurance recoveries | - | - |
| Income from sale of tender documents | - | - |
| Miscellaneous income | - | - |
| Total other income | - | - |

6. Fund administration expenses

| Description | FY. 2023/2024 | FY. 2022/2023 |
|---------------------------------------|----------------|---------------|
| | KShs | KShs |
| Staff costs (Note 7) | - | - |
| Loan processing costs | - | - |
| Printing, photocopy and binding costs | 21,100 | - |
| Travel Expenses | 377,900 | - |
| Total | 399,000 | - |

7. Staff costs

| Description | FY. 2023/2024 | FY. 2022/2023 |
|------------------------------|---------------|---------------|
| | KShs | KShs |
| Salaries and wages | - | - |
| Staff training expenses | - | - |
| Social security contribution | - | - |
| Other staff costs | - | - |
| Total | - | - |

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

8. General Expenses

| Description | FY. 2023/2024 | FY. 2022/2023 |
|--------------|---------------|---------------|
| | KShs | KShs |
| Bank charges | 1,826 | - |
| | - | - |
| Total | 1,826 | - |

9. Finance costs

| Description | FY. 2023/2024 | FY. 2022/2023 |
|------------------------------|---------------|---------------|
| | KShs | KShs |
| Interest on Bank overdrafts | - | - |
| Interest on loans from banks | - | - |
| Total | - | - |

10. Cash and cash equivalents

| Description | FY. 2023/2024 | FY. 2022/2023 |
|--|-------------------|--------------------|
| | KShs | KShs |
| Fixed deposits account | - | 110,000,000 |
| Family Bank A/c: 075000066652 | 19,999,425 | - |
| Winas Sacco A/c: 51100013101 | 21,162,995 | - |
| Others | - | - |
| Total cash and cash equivalents | 41,162,420 | 110,000,000 |

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

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
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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 | FY. 2023/2024 | FY. 2022/2023 |
|--|----------------|-------------------|--------------------|
| | | KShs | KShs |
| a) Fixed deposits account | | | |
| Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund, Family Bank | 075000066652 | 19,999,425 | 110,000,000 |
| Embu County Car Loan & Mortgage Scheme Fund Account, Winas Sacco | 51100013101 | 21,162,995 | 0 |
| Grand total | | 41,162,420 | 110,000,000 |

11. Receivables from exchange transactions

| Description | FY. 2023/2024 | FY. 2022/2023 |
|---|-------------------|---------------|
| | KShs | KShs |
| Current Receivables | | |
| Interest receivable | - | - |
| Current loan repayments due | 20,829,832 | - |
| Other exchange debtors | - | - |
| Less: impairment allowance | - | - |
| Total Current receivables | 20,829,832 | - |
| Non-Current receivables | | |
| Long term loan repayments due | 49,335,189 | - |
| Total Non-current receivables | 49,335,189 | - |
| Total receivables from exchange transactions | 70,165,021 | - |

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. 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) Embu County Executive;
- b) Board of Trustees; and
- c) Key management personnel.

a) Related party transactions

| | FY. 2023/2024 | FY. 2022/2023 |
|---------------------------------|---------------|---------------|
| | KShs | KShs |
| Transfers from related parties' | - | - |
| Transfers to related parties | - | - |

b) Key management remuneration

| | FY. 2023/2024 | FY. 2022/2023 |
|-----------------------------|---------------|---------------|
| | KShs | KShs |
| Management Committee | - | - |
| Key Management Compensation | - | - |
| Total | - | - |

c) Due from related parties

| | FY. 2023/2024 | FY. 2022/2023 |
|----------------------------|---------------|---------------|
| | KShs | KShs |
| Due from parent Ministry | - | - |
| Due from County Government | - | - |
| Total | - | - |

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Annual Reports and Financial Statements for the Year ended 30 June 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Due to related parties

| | FY. 2023/2024 | FY.2022/2023 |
|---------------------------------|----------------------|---------------------|
| | KShs | KShs |
| Due to parent Ministry | - | - |
| Due to County Government | - | - |
| Due to Key management personnel | - | - |
| Total | - | - |

13. Contingent assets and contingent liabilities

| Contingent liabilities | FY. 2023/2024 | FY.2022/2023 |
|-------------------------------|----------------------|---------------------|
| | KShs | KShs |
| Court case against the Fund | - | - |
| Bank guarantees | - | - |
| Total | - | - |

14. Loan Disbursements

| | FY. 2023/2024 | FY.2022/2023 |
|------------------------------|----------------------|---------------------|
| | KShs | KShs |
| H.E Mbarire Mutitu Cecily | 50,000,000 | - |
| H.E Mugo Kinywa Justus | 20,000,000 | - |
| Ruria Grace Amy | 5,000,000 | - |
| Kinyua Njagi Raymond | 5,000,000 | - |
| Mugo Njeru Elijah | 5,000,000 | - |
| Jane Elizabeth Gitiri Waroga | 5,000,000 | - |
| Total | 90,000,000 | 0 |

15. Proceeds from loan principal repayments

| Description | FY. 2023/2024 | FY. 2022/2023 |
|--|----------------------|----------------------|
| | KShs. | KShs. |
| Principal Loan Repayments | 19,834,979 | - |
| Total Principal Loan Repayments | 19,834,979 | - |

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
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21. 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.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--|-----------------------------------|--|
| 1.0 | Presentation of financial statements | The county treasury has improved the presentation of financial statements in the subsequent years by relying on the templates issued by NT and ensuring compliance with IPSAS in the preparation of financial statements | Pius Mukundi – Fund Administrator | Resolved | 30 June 2024 |
| 2.0 | Inaccuracies in the Financial Statements | There was no transfer of Kshs. 110,000,000 from Embu County Executive to Embu County Car Loan and Mortgage (Committee Members) Scheme Fund during the year under review. | Pius Mukundi – Fund administrator | Resolved | 30 June 2024 |
| 3.0 | Unsupported Cash and Cash Equivalents | Bank confirmation certificate as at 30 June, 2023 was provided for confirmation | Pius Mukundi – Fund administrator | Resolved | 30 June 2024 |
| 4.0 | Non-Disclosure of Bank Account | Approval from the County Treasury, type of account, account signatories, date opened, account number and bank statement were availed for audit review | Pius Mukundi – Fund administrator | Resolved | 30 June 2024 |
| 1.0 | Irregular Loans | - Even though the loan duration exceeded 48 months, Clause VII Loan Administration (d) in the agreement between ECG and DBK safeguards the interest of Embu | Amy Grace Ruria – County Secretary | Resolved | 30 June 2024 |

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|---|-----------------------------------|--|
| | | County once the contract term of the applicants expires or they leave office - The respective log books and title deeds have a charge registered jointly between the financing institution and the applicant as provided for in the SRC circular Ref. No: SRC/TS/CGOVT/3/61/VOL V (42) dated 27 th June 2017 | | | |
| 2.0 | Irregular Execution of Contract | The agreement referenced the SRC Circulars Ref. No. SRC/TS/CGOVT/3/16 dated 27 th November 2013 and Ref. No. SRC/CGOVT/3/61 dated 30 th September, 2014 that provided for the Car Loan and Mortgage benefit for County Executive Committee (CEC) Members and Members of the County Assemblies (MCAs). | Prof. Kinyua Nyaga Kamaria – CECM Finance and Economic Planning | Resolved | 30 June 2024 |
| 3.0 | Irregular Use of the Fund's Cash Balance as Collateral for Non-Staff Loan | DBK through their letter dated 6 th March 2023 have confirmed that the cash collateral of Kshs. 110,000,000/= is available for on-lending to current eligible members. Therefore the money is not being held as collateral for outstanding loans. | Amy Grace Ruria – County Secretary | Resolved | 30 June 2024 |