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REPORT

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THE AUDITOR-GENERAL

ON

**NANDI COUNTY ASSEMBLY
SCHEME FUND CAR LOANS
AND MORTGAGE**

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

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NANDI COUNTY ASSEMBLY SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

Table of Contents

1.	KEY ENTITY INFORMATION AND MANAGEMENT	3
2.	THE MEMBERS, LOANS MANAGEMENT COMMITTEE (LMC)	5
3.	STATEMENT OF PERFORMANCE AGAINST SCHEME FUND OBJECTIVES	7
4.	MANAGEMENT TEAM	9
5.	BOARD/FUND CHAIRPERSON'S REPORT	10
6.	REPORT OF THE FUND ADMINISTRATOR	12
7.	CORPORATE GOVERNANCE STATEMENT	13
8.	MANAGEMENT DISCUSSION AND ANALYSIS	15
9.	REPORT OF THE LOANS MANAGEMENT COMMITTEE	18
10.	STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	19
11.	REPORT OF THE INDEPENDENT AUDITOR	20
12.	FINANCIAL STATEMENTS	21
12.1.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2020	21
12.2.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	22
12.3.	STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020	23
12.4.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020 .	24
12.5.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 th JUNE 2020.....	25
12.6.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	26
13.	NOTES TO THE FINANCIAL STATEMENTS	40
14.	PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS .	53

NANDI COUNTY ASSEMBLY SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nandi County Assembly Scheme Fund-Car Loans and Mortgage is established by Public Finance Management (Nandi County Assembly Members Scheme Fund) Regulations of 2014 and derives its authority and accountability from PFM Act Section 116. The Fund is wholly owned by the County Assembly of Nandi and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purposes of purchase of vehicles by members of the scheme and purchase, development, renovation or repair of residential property by members of the Scheme as per Salaries and Remuneration Commission (SRC) Guidelines PFM Act and PFM regulations.

b) Principal Activities

The principal activities of the Fund are;

(a) To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.

(b) To provide a loan scheme for the purchase of vehicles by members of the Scheme.

c) Fund Administration Committee

Ref	Name	Position
1.	Mr. Barnaba GK Kosgei	Chairman
2.	Mr. Henry Kipkorir Tarus	Vice Chairman
3.	Mr. Wesley Cheruiyot Kimetto	Member
4.	Mr. Luke Kimutai Cherutich	Member
5.	Mr. Justice Kipyego Kirui	Member
6.	Mr. Bonface Kiptoo	Member
7.	Mrs. Lilian Chebet	Member

d) Key Management

Ref	Name	Position
1	Mr. Barnaba GK Kosgei	Funds Administrator
2	Mr. Isaac Kiplagat Tum	Fund Manager
3	Mr. Wesley Cheruiyot Kimeto	Fund Accountant

e) Registered Offices

C/o

Fund Administrator,
NCA Scheme Fund-Car Loans and Mortgage,
Former Nandi County Council Building, Wilfred Bungei Street
P.O. Box 673-30300, Kapsabet,
Kapsabet, KENYA

f) Fund Contacts

Telephone: (254) 0535252039

E-mail: funds@nandiassembly.go.ke

Website: www.nandiassembly.go.ke/fund

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Credit Bank Limited,
Zion Mall, Eldoret Branch, Uganda Road,
P O Box 61064 – 00200,
NAIROBI

3. Housing Finance Company of Kenya Limited,
KVDA Plaza, Oloo /Utalii Street,
PO Box 9015-30100,
ELDORET

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





NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

2. THE MEMBERS, LOANS MANAGEMENT COMMITTEE (LMC)

The Loans Management Committee Members during the financial year consisted of:

	<p>Osborn Komen – Chair, Loan Management Committee (LMC)</p> <p>Osborn Komen, a holder of BSc degree from the University of Nairobi, is the Vic-Chairman, County Assembly Service Board, a post that confers the privilege to Chair to the LMC under the approved regulations. Before his appointment, he served as a senior officer at the Kenya Ports Authority. He has also held various top management positions in different institutions for over 20 years.</p>
	<p>Hon. Eliud Kirongo, Member</p> <p>Eliud Kirongo, a holder of Bachelor’s degree in Education from the Masinde Muliro University of Technology, is a second term member of the Nandi County Assembly. He is the serving Leader of the Minority Party at the Nandi County Assembly since March 2013.</p>
	<p>Hon. Pius Murrey, Member</p> <p>Pius Murrey, a holder of B. Com Finance degree from the University of Nairobi, is a second term member of the Nandi County Assembly. Before his appointment, he served as a Vice chairman at the Nandi County Assembly Public Investment and Accounts Committee in the first County Assembly. He has also held various management positions in different Savings and Credit Cooperative organizations for over 20 years prior to joining political leadership.</p>
	<p>Hon. Hillary Serem, Member</p> <p>Hillary Serem, a holder of Bachelors’ degree in Business Management (Accounting) degree from the Moi University, is a first term member of the Nandi County Assembly. Before his appointment, he served as a Vice chairman at the Nandi County Assembly Public Investment and Accounts Committee in the second County Assembly. He has also held various management positions in different Cooperative Bank of Kenya Ltd for over 10 years prior to joining political leadership.</p>

NANDI COUNTY ASSEMBLY SCHEME FUND

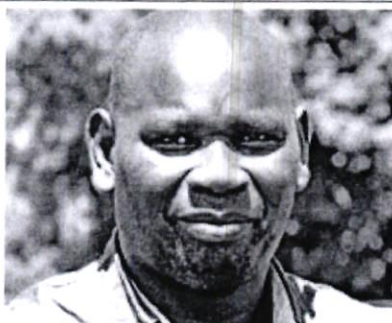
Reports and Financial Statements

For the year ended June 30, 2020



Mr. Barnaba GK Kosgei - Clerk

Mr. Barnaba GK Kosgei was appointed the first Clerk of Nandi County Assembly on 10th March 2013. He holds a Master's degree in Business Administration Degree (Strategic Management) from the Kenyatta University. Before his appointment as the clerk, he served as a Clerk at various local authorities over a period of 15 years before the establishing laws of those authorities was repealed in 2010.



Hon. Fredrick Kipkemboi, Member

Fredrick Kipkemboi, is a second term member of the Nandi County Assembly. Before his appointment, he served as a Chairman at the Nandi County Assembly Justice and Legal Affairs Committee in the first County Assembly. For over 20 years, he led various community based organizations and welfare groups in fund raising towards the establishment of the now successful Nandi Youth Bunge, registered bodaboda and mechanic Operators SACCOs within Kapsabet prior to joining political leadership.



Hon. Margaret Nyauntu, Member

Margaret is a first term nominated member of the Nandi County Assembly. Before her appointment, she served as a Member at the Nandi County Assembly Budget and Appropriations Committee in the first County Assembly. For over 20 years, prior to joining political leadership, she taught at various primary schools within Nandi County, before retiring to venture in construction and supplies businesses.



CPA Isaac Kiplagat Tum – Fund Administrator

He is serving as a Principal Fiscal Analyst to the County Assembly of Nandi.

Mr. Tum is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maseno University.

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

3. STATEMENT OF PERFORMANCE AGAINST SCHEME FUND OBJECTIVES

Introduction

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

The key development objectives of the Nandi County Assembly Scheme Fund 2018-2022 plan are to:

- a) Disburse at least KShs. 300 million to members of the Scheme Fund
- b) Recover principal repayments within the five years to August 2022 KShs.200 million.
- c) Discharge collaterals of the scheme borrowers as when they clear dues.

Progress on attainment of strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
1. Disbursement	<ul style="list-style-type: none">• To disburse to the scheme members at least KShs. 300 million in forms of car and mortgage loans	<ul style="list-style-type: none">• By the end year ended June 30 2020, the Scheme Fund had loaned out KShs. 297,903,000.	<ul style="list-style-type: none">• 63 currently loan borrowers repaying loans	65% scheme fund members funded
2. Recovery	<ul style="list-style-type: none">• To seek the Treasury release of KShs.69 million still held in the County Treasury.• To recover no less than KShs.200 million before August 2022.	<ul style="list-style-type: none">• The total recovery were over of Kshs.99 million as of June 30, 2020	<ul style="list-style-type: none">• All borrowers currently repaying loans• Each of the scheme fund recoveries now insured of death of	100%

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

Program	Objective	Outcome	Indicator	Performance
			loan borrower	
3. Custody and discharge of collaterals	<ul style="list-style-type: none"> • To charge for each and every title • To ensure that all the motor vehicles acquired are registered in the joint names of the County Assembly and the scheme fund borrower 	<ul style="list-style-type: none"> • Properties were revalued to consider the worth • Failed to secure spousal consent, therefore unable to charge 	<ul style="list-style-type: none"> • No default in submission of the land title deed and particular custodial service under lock and key 	100%



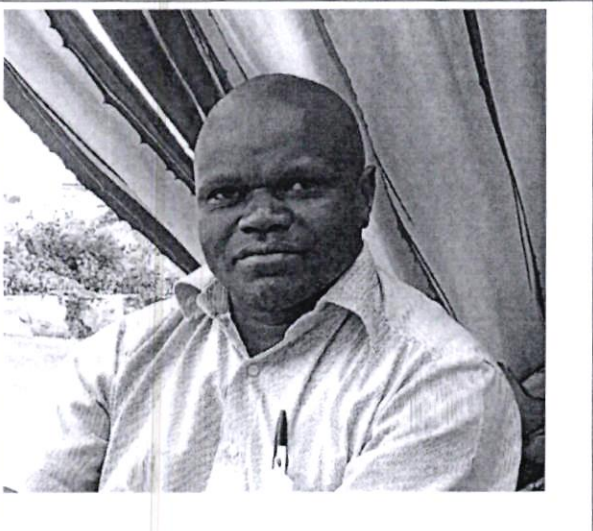
NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

4. MANAGEMENT TEAM

The management during the financial year consisted of:

	<p>CPA Isaac Kiplagat Tum – Fund Administrator</p> <p>CPA Isaac Kiplagat Tum was appointed as the Fund Administrator on 5th October 2018. He is serving as a Principal Fiscal Analyst to the County Assembly of Nandi.</p> <p>Mr. Tum is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maseno University.</p>
	<p>Mr. Barnaba GK Kosgei - Clerk</p> <p>Mr. Barnaba GK Kosgei was appointed the first Clerk of Nandi County Assembly on 10th March 2013. He holds a Master's degree in Business Administration Degree (Strategic Management) from the Kenyatta University. Before his appointment as the clerk, he served as a Clerk at various local authorities over a period of 15 years before the establishing laws of those authorities was repealed in 2010.</p>
	<p>CPA Wesley Kimetto – Fund Accountant</p> <p>CPA Wesley Kimetto Cheruiyot was appointed as the Fund Accountant on 5th October 2014. He is serving as a Director, Finance and Strategy to the County Assembly of Nandi.</p> <p>Mr. Kimetto is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maasai Mara University and a member of the Institute of Certified Public Secretaries of Kenya. He holds a 20 year public finance management experience gained while working in various segments within the public sector.</p>

5. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the Management Committee of Committee Members, the Nandi County Assembly Scheme Fund-Mortgage and Car Loans financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Loans Management Committee Changes

The Management Committee established a taskforce with the mandate to review and interrogate the adequacy and effectiveness of the fund's organogram in carrying out its mandate and make recommendations. The taskforce carried out the assignment and made several recommendations key among them the automation of the fund's operations. The organisation arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

The fund anticipates to be earning its revenues from public contributions and donations, the County Assembly and other revenues from other exchange transactions. Both transfers from the County Government of Nandi and incomes from public contributions and donations were nil, **KShs. 58,593,883.0** received from principal repayments and **KShs. 4,531,482** earned as interests from loan disbursements. Income from exchange transactions contributed nil balance during the year under review. Overall income decreased by 52% owing to downward revision of the budgetary projections for domestic loans to individuals and households of the County Assembly of Nandi.

Projects implementations during the period were carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening cash balance of **KShs. 44,258,707** at the beginning the year.

Expenditures

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

The finance costs during the period amounted to **KShs. 6,434**. There were no other administrative expenses incurred by the fund during the period.

Future outlook

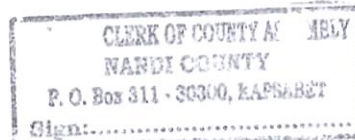

The outlook of the Fund for 2020/2021 looks brighter. The fund hopes to establish other funds for a 3 year car loan scheme to staff from recoveries arising from loans to Member of County Assembly. The aim is to ensure that the asset balance of the fund grows but the funds become available to members who will be elected or nominated in the year 2022. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

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

I look forward to the year 2020/2021.

Signed: _____



Barnaba GK Kosgei,
Chairperson, the Fund Administration Committee

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

6. REPORT OF THE FUND ADMINISTRATOR

The Fund began in the FY 2013/2014 with a disbursement of **KShs. 245 million** to Members of the County Assembly following an approval of supplementary budget of the County Assembly budget in February 2014. The disbursement was done by the County Treasury to the 50 members of the County Assembly that included the Speaker to a tune of **KShs. 5,000,000** each which is the capping on the possible disbursement to the MCAS. The rate of interest is 3% as per SRC guidelines. However, the period to maturity of the loans was set at 40 months in order to ensure that the deductions will have been done before the exit of the members from the County service.

This represents a decrease of 81.52% in net revenues compared to the same period in FY 2018/2019. The following table represents the revenue growth figures since 2013/2014 when the first funding was made.

Major changes	Total
Balance as at 1 July 2013	-
Surplus/(deficit) for the period	1,534,197
Funds received during the year	245,000,000
Balance as at 30 June 2014	246,534,197
Balance as at 1 July 2014	246,534,197
Surplus/(deficit) for the period	5,604,375
Balance as at 30 June 2015	252,138,572
Balance as at 1 July 2015	252,138,572
Surplus/(deficit) for the period	3,399,375
Balance as at 30th June 2016	255,537,947
Balance as at 1 July 2016	255,537,947
Surplus/(deficit) for the period	1,205,625
Balance as at 30th June 2017	256,743,572
Balance as at 1 July 2017	326,090,439
Balance as at 30th June 2018	326,090,439
Balance as at 1 July 2018	326,090,439
Surplus/(deficit) for the period	24,490,735
Balance as at 30th June 2019	350,581,173
Balance as at 1 July 2019	350,581,173
Surplus/(deficit) for the period	4,525,048
Balance as at 30th June 2020	355,106,221

We look forward to a more favourable financial year 2020/2021.

Thanks.



CPA ISAAC KIPLAGAT TUM,
FUND ADMINISTRATOR, NANDI COUNTY ASSEMBLY SCHEME FUND

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

7. CORPORATE GOVERNANCE STATEMENT

I. Preface

The NCA Member's Scheme Fund for Mortgage and Car Loan is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. In line with Section 167 of the PFM Act 2012, the fund administrator has caused the preparation of these financial statements for FY 2018/2019. Its mandate is to provide mortgage and car loans to public and state officers of the County Assembly of Nandi.

The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. The operations of the fund were then governed by a Public Finance Management Regulations enacted in 2014 which were repealed by the County Assembly of Nandi on January 31, 2018 upon enactment of Public Finance Management (Nandi County Assembly Members' Scheme Fund Mortgages and Car Loans) Regulations, 2018 to govern the operations of the fund. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

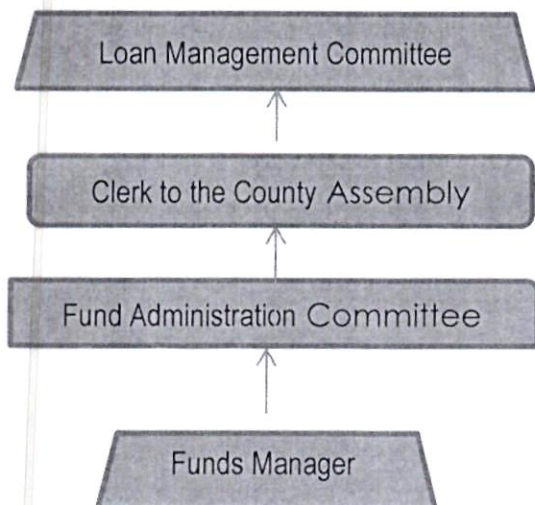
II. Fund Committees

Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the two committees;

- the Fund Administration Committee and
- Loans Management Committee.

While the Fund Administration Committee constituted from among administrative staff of the County Assembly of Nandi who hold fiduciary responsibilities, the Loan Management Committee is the apex body of the Fund. The Clerk to the County Assembly sits in both committees; as a Chairman of the Fund Administration Committee and a secretary to the LMC. However, as at the end of the FY 2018/2019, the LMC membership had not been adopted by the County Assembly as a required by the regulations and therefore the Fund Administration Committee ran all the activities as the only fully constituted committee. The Fund Administration Committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The Fund Administration Committee also plays an oversight role over all other financial and operational issues. The fund's administrative officers held seven full board and two special board meetings during the FY 2019/2020.

III. Organization Structure



NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

IV. Statement of Compliance

The Fund Administration Committee confirms that the fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

V. Fund Administration Committee changes


There were neither fund administration committee changes or loan management committee member's reconstitution or amendment of list of members during the period.

VI. Auditor

The fund is audited by the Auditor-General. The Office of the Auditor conducted the first external audit for the financial operations of FY 2017/2018 which gave the fund an adverse opinion.

VII. Approval of the corporate governance statement

The corporate governance statement were approved by the Fund Administration Committee on 25th January 2021 and signed on its behalf by:



Isaac Kiplagat Tum, Fund Administrator,
NCA MEMBERS' SCHEME FUND

25 JAN 2021

APPROVED

8. MANAGEMENT DISCUSSION AND ANALYSIS

8.1 PREFACE

The fund has continued to grow over the 5 years since its establishment and the management has put measures in place to safeguard against risks. The management has ensured that we comply with statutory requirements relating to the functions of the fund

8.2 BUSINESS PERFORMANCE

8.2.1 Revenues

The performance of business in FY 2019/2020 was KShs. 4,525,048 down from business performance of KShs. 24,490,735 in a similar period in the FY 2018/2019. This represents 82% decrease in business performance. The Fund received no Transfer from County Government operations down from Kshs.22 million in FY 2018/2019. There was a rise in interests incomes in FY 2019/2020 from KShs. 3,688,352 charged on loans in FY 2018/2019 to KShs. 4,531,482 charged on loans in FY 2019/2020. This was mainly due to the growth in number of scheme borrowers from 61 to 63 respectively. However, neither did the Fund Administrator fix nor invest its funds in interest earning instruments in FY 2019/2020 mainly because the decision to approve or not to approve the proposed names of the Loan Management Committee as per regulations is still pending in the County Assembly. Therefore substantive decisions on the applications of repayments could not be made or expedited as is appropriate.

The total expenses in the financial year 2019/2020 amounted to KShs.6, 434 comprised of;

- (i) Bank charges and commissions of KShs. 6,434 in FY 2019/2020 down by KShs. (55%) from KShs. 14,418 in FY 2018/2019 and
- (ii) Nil loan processing costs in FY 2019/2020 down from KShs. 1,183,200 in FY 2018/2019

8.2.2 Cash flow

The cash and cash equivalents increased from **KShs 44,258,707** as at 30 June 2017 to **KShs 99,997,637** as at 30 June 2019. There was cash inflow amounted to **KShs. 55,738,931** from collections from staff, public contributions and the county government.

Summarily, the net changes in;

- I. Cash flows from operations were KShs. 4,525,047.6 comprising of incomes totalling KShs. 4,531,482.0 less expenses totalling KShs. 6,434.4.
- II. Cash flow from investing activities was KShs. 51,213,883.0 comprising of proceeds from loan principal repayments totalling KShs. 58,593,883.0 less Loan disbursements paid out totalling KShs. 7,380,000.0.

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

- III. Cash flows from financing activities was nil in the FY 2019/2020 owing to a failure by the County Assembly of Nandi to transfer funds for new disbursements. The regulations mandated the Fund committees with strategic decision making including on investing activities.

8.3 OPERATIONAL PERFORMANCE

The Fund continues to encounter challenges in its cash flow management mainly because of the following reasons;

Failure by the County Government of Nandi to remit a total of **KShs. 69,876,335** deducted from the members of County Assembly who served between March 27th, 2013 and August 8th, 2017.

Unfavourable decisions during the approval of the Nandi County Supplementary Budgets by County Assembly of Nandi also affected the Scheme Fund operations such that all approvals the specific allocations for the transfers to the Fund became donor votes to other needy areas. In FY 2017/2018, the appropriation as at July 1, 2017 **KShs. 61 million** earmarked for loans were reduced on April 30, 2018 to KShs. 20 million, while in FY 2018/2019, the County Assembly of Nandi allocation as at July 1, 2018 budgeted to be transferred to the Fund was KShs. 44 million which were later reduced to KShs.22 million on May 2019. Similarly, in FY 2019/2020, owing the Covid 19 virus pandemic and prior amendment of County priorities and objectives, the provision of KShs. 20,800,000 in the County Assembly of Nandi Budget Estimates were transferred to more needy programs much to the detriment of the Scheme Fund.

The Fund disbursed a total of KShs. 7,380,000.0 as loans based as approved loan application(s) of the 3 public officers.

The Fund recovers from the loan disbursed to the 61 Scheme Fund borrowers were a total of **KShs. 50,763,908** from which principal repayments were **KShs. 47,075,556**. The loan book reduced from **KShs. 306,322,465** owed to the fund by Scheme borrowers as at the end of the FY 2017/2018 and **KShs. 259,377,988** owed to the fund by Scheme borrowers as at the end of the FY 2018/2019.

8.4 CONCLUSION

We, the management team of the Nandi County Assembly Scheme Fund, reviewed the prospects of the Fund and affirm that the Fund's outlook is bright.

We look forward to a better FY 2020/2021!

Signed on 25th January 2021, by

Isaac Kiplagat Tum, Fund Administrator,
NCA MEMBERS' SCHEME FUND

25 JAN 2021

NANDI COUNTY ASSEMBLY SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

9. REPORT OF THE LOANS MANAGEMENT COMMITTEE

The Loan Management Committee submits their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are;

- (a) To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.
- (b) To provide a loan scheme for the purchase of vehicles by members of the Scheme.

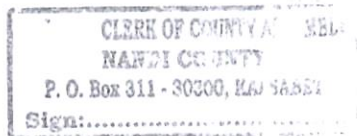
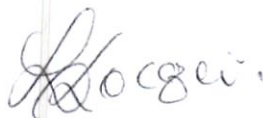
Results

The results of the Fund for the year ended June 30, 2020 are set out on page 20-25

Auditors

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

By Order of the Board



Barnaba GK Kosgei,

Member, Loans Management Committee.

Date: _____

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management Nandi county Assembly Car Loans (Members) Scheme Fund) Regulations of 2018 and Public Finance Management Nandi County Assembly Mortgages (Members) Scheme Fund) Regulations of 2018 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:

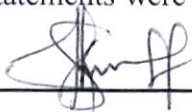
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) Designing, implementing 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 Nandi County Assembly Scheme 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, Public Finance Management Nandi county Assembly Car Loans (Members) Scheme Fund) Regulations of 2018 and Public Finance Management Nandi County Assembly Mortgages (Members) Scheme Fund) Regulations of 2018. 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 Nandi County Assembly Scheme 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 29th January 2021 and signed on its behalf by:

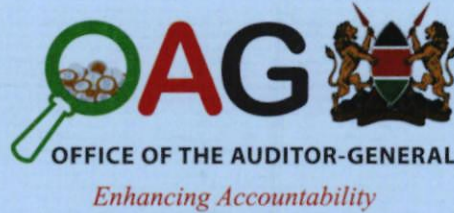


CPA ISAAC KIPLAGAT TUM

Fund Administrator of the Nandi County Assembly Scheme Fund

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NANDI COUNTY ASSEMBLY SCHEME FUND CAR LOANS AND MORTGAGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nandi County Assembly Scheme Fund Car Loans and Mortgage set out on pages 21 to 53, which comprise the statement of financial performance, statement of financial position and statement of changes in net assets as at 30 June, 2020, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nandi County Assembly Scheme Fund Car Loans and Mortgage as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management (Nandi County Assembly Car Loan and Mortgage Scheme Fund) Regulation, 2014 and the Public Finance Management (Nandi County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018.

Basis for Qualified Opinion

1. Presentation of the Financial Statements

1.1 Incorrect Name of the Scheme Fund

The financial statements submitted for audit did not adhere to the format recommended by the Public Sector Accounting Standards Board issued through circular ref.AG.4/16/3 Vol. 1 (9) dated 24 June, 2020 on presentation of financial statements. Review of the financial statements revealed that the cover page, key entity information, the statement of performance against county entity's predetermined objectives, the fund chairperson's report, report of the fund administrator, the corporate governance statement, other reports, and headers in the financial statements refer to the fund as Nandi County Assembly Scheme Fund while regulations established different entities as follows:

- (i) Regulation 3(1) of the Public Finance Management (Nandi County Assembly Car Loan and Mortgage Scheme Fund) Regulation, 2014 establishes a fund known as the Nandi County Assembly Car Loan and Mortgage Scheme Fund.
- (ii) Regulation 3 of the Public Finance Management (Nandi County Assembly Mortgage (Members) Scheme Fund) Regulations, 2018 established a fund known as County Assembly of Nandi Mortgage (Members) Scheme Fund.

Consequently, the entity whose financial statements were submitted for audit has not been clearly defined.

1.2 Notes to the Financial Statements

The statement of cash flows reflects a net cash flow from operating activities amount of Kshs.4,525,048, with the same referenced to Note 21 to the financial statements. However, the note relates to changes in accounts payable which reflects a Nil balance. In addition, Note 23 in respect of cash generated from operations has not been analyzed and reflect nil balance.

1.3 Variance in Statement of Changes in Net Assets

The statement of changes in net assets reflect balances as at 01 July, 2019 which differ from corresponding amounts as at 30 June, 2019 as detailed below;

	Balance as at 1 July, 2019 (Kshs.)	Balance as at 30 June, 2019 (Kshs.)	Difference (Kshs.)
Revolving fund	350,581,173	326,090,439	24,490,735
Accumulated surplus	-	24,490,734.73	(24,490,735)

The differences were explained or reconciled. As a result, the statement of changes in net assets as at 30 June, 2020 is misstated.

1.4 Progress on Follow Up Auditor Recommendations

The financial statements include a table on Progress on follow up of prior year auditor's recommendations under Note 14 to the financial statements at page 53. However, the table is not populated and thus, the progress on follow up of those recommendations has not been disclosed. Consequently, the Management is in breach of the Public Sector Accounting Standards Board directive and financial statements do not comply with revised financial reporting template approved by the Public Sector Accounting Standards Board.

2. Variance in Interest Income

The statement of financial performance for the year ended 30 June, 2020 reflects interest income of Kshs.4,531,482. However, re-computation of the interest income gives a total of Kshs.5,562,148, resulting unexplained and unreconciled variance of Kshs.1,030,666

Consequently, the accuracy and completeness of interest income of Kshs.4,531,482 reflected in the financial statements could not be confirmed.

3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions amounting to Kshs.196,463,159 and current term receivables amounting to Kshs.59,049,660 as at 30 June, 2020. However, an analysis provided in respect of receivables reflects long-term receivables from exchange transactions totaling Kshs.196,463,159 including Kshs.69,876,336.00 held by Nandi County Executive being unremitted deductions. The amount has been outstanding for undisclosed period of time and for unclear reasons.

In addition, the fund's financial assets were measured at amortized at cost using the effective interest method, less impairment. However, no information was provided for audit to confirm that the Fund management had been assessed. Also there was no evidence to show that financial assets held by the Fund as at 30 June, 2020 were impaired after the initial measurement as stated under significant accounting policy no. 7.

Further, as stated under significant accounting policy No. 22. Management is required to assess the credit quality of each customer, taking into account the financial position, past experience and other factors. The policy provides that the carrying amount of financial assets recorded in the financial statements represent the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained. However, there is no evidence provided for audit review to indicate that the credit quality of each customer was assessed as stated.

Consequently, the accuracy, completeness and validity of the current portion of long-term receivables from exchange transactions of Kshs.59,049,660 and long-term receivables from exchange transactions of Kshs.196,463,159 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of Kshs.19,338,650 and Kshs.4,531,482 respectively resulting to shortfall of Kshs.14,807,268 or 77% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.3,008,640 and Kshs.6,434 respectively, resulting in underperformance amounting to Kshs.11,804,962 or 12% of the budget.

The revenue shortfall may affect the sustainability of the revolving loan Fund while under expenditure may be an indication of failure to undertake planned activities which may negatively affect the running of the Fund.

2. Unresolved Prior Year Audit Matters

There were issues raised in the audit report for 2018/2019 financial year of which no report or recommendations from the Fund Management and oversight bodies were submitted for audit verification and clearance. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Late Submission of Financial Statements

The Nandi County Assembly Car Loan and Mortgage Scheme Fund was established in the financial year 2013/2014 for purposes of disbursing car loans and Mortgages to members of the Nandi County Assembly. However, since establishment the financial statements for the financial years 2013/2014, 2014/2015, 2015/2016 and 2016/2017 were submitted to the Auditor General on 29 January, 2021 contrary to Sections 116(7) and (8) of the Public Finance Management Act, 2012 and Regulation 15 (1)(d) of the Public Finance Management (Nandi county Assembly Car Loan (Members) Scheme Fund) Regulations, 2018.

Consequently, the Management is in breach of the law.

2. Undisclosed Payment of Fringe Benefit Tax

Review of records maintained by the Fund revealed that a total number sixty-two (62) loans were issued to 42 members of county assembly and 20 members of staff at a rate of three percent (3%), which is below the market rate. However, the County Assembly of Nandi Management did not indicate whether fringe benefit tax for the benefit was been paid or provided for as required under Section 12B (1) of the Income Tax Act Cap 470.

The Fund was therefore in breach of the law.

3. Anomalies in Loans Disbursements

The statement of financial position reflects long term receivables from exchange transactions of Kshs.196,463,159 and current term receivables of Kshs.59,049,660 as at 30 June, 2020 as detailed under note 12 to the financial statements. Review of loans processing and disbursement process revealed instances of contravention of the provisions of the Public Finance Management (Nandi County Assembly Car Loan (Members) Scheme Fund Regulations, 2018 as detailed below;

- (i) Loan disbursements amounting to Kshs.291,960,000 were paid directly to the loanees and not to the property owners from whom properties were acquired.
- (ii) Official searches of title for the properties intended to be purchased, certified copies of the sale agreements for to the properties acquired by the loanees and copies of designs of the proposed residential properties approved by the relevant County Government department where properties are situated were not attached or provided for audit review.
- (iii) No evidence was provided for audit review confirming that the Motor Vehicles and Land purchased by the Fund were jointly owned by the loanees and the County Assembly Service Board and that charges in respect of the acquired property were registered.
- (iv) Loan application forms were not approved by the Car/Mortgage management committee.

The Management of the Fund was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Internal Control Environment and Overall Risk Management in the Fund's Operations

Review of the loans processing and disbursement system and procedures revealed that the fund administration failed to put in place an adequate system of internal control as well as a risk management strategy for processing of loans and mortgage applications leading to non-adherence to laws and regulations and recording and presenting financial records and financial statements.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 February, 2022

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

12. FINANCIAL STATEMENTS

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

	Note	FY 2019/2020	FY 2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1		-
Transfers from the County Government	2	-	22,000,000
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	4,531,482	3,688,352
Other income	5	-	-
Total revenue		4,531,482	25,688,352
Expenses			
Fund administration expenses	6	-	1,183,200
Staff costs	7	-	-
General expenses	8	6,434	-
Finance costs	9	-	14,418
Total expenses		6,434	1,197,618
Other gains/losses			
Gain/loss on disposal of assets	10		-
Surplus/(deficit) for the period		4,525,048	24,490,735

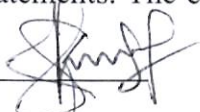
The notes set out on pages 39 to 50 form an integral part of these Financial Statements

NANDI COUNTY ASSEMBLY SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

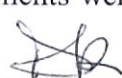
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY 2019/2020 KShs	FY 2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	99,997,637	44,258,707
Current portion of long – term receivables from exchange transactions	12	59,049,660	306,322,466
Prepayments	14		0
Inventories	15		0
Non-current assets			
Property, plant and equipment	16		0
Intangible assets	17		0
Long term receivables from exchange transactions	12	196,463,159	0
Total assets		355,510,457	350,581,173
Liabilities			
Current liabilities			
Trade and other payables	18		0
Provisions			0
Current portion of borrowings	19		0
Employee benefit obligations			0
Non-current liabilities			
Non-current employee benefit obligation	20		0
Long term portion of borrowings	19		0
Total liabilities			0
Net assets		355,510,457	350,581,173
FINANCED BY:			
Revolving Fund		350,581,173	326,090,439
Reserves		0	0
Accumulated surplus		4,525,048	24,490,735
Total Equity		355,106,221	350,581,173

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 29th January 2021 and signed by:



Administrator of the Fund
Name: ISAAC KIPLAGAT TUM



Fund Accountant
Name: WESLEY KIMETO

ICPAK Member No: 11505

NANDI COUNTY ASSEMBLY SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020

12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	
		KShs	KShs	
Balance as at 1 July 2018	326,090,439	-	-	326,090,439
Surplus/(deficit) for the period	-	-	24,490,735	24,490,735
Funds received during the year	-	-	-	
Revaluation gain	-	-	-	
Balance as at 30th June 2019	326,090,439	-	24,490,735	350,581,173
Balance as at 1 July 2019	350,581,173	-	-	350,581,173
Surplus/(deficit) for the period	-	-	4,525,048	4,525,048
Funds received during the year	-	-	-	
Revaluation gain	-	-	-	
Balance as at 30th June 2020	350,581,173	-	4,525,048	355,106,221

NANDI COUNTY ASSEMBLY SCHEME FUND

Reports and Financial Statements

For the year ended June 30, 2020

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

	Note	FY 2019/2020 KShs	FY 2018/2019 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations			0
Transfers from the County Government		0	22,000,000
Interest received		4,531,482	3,688,352
Receipts from other operating activities		0	0
Total Receipts		4,531,482	25,688,3522
Payments			
Fund administration expenses		0	1,183,200
General expenses		0	0
Finance cost		6,434	14,418
Total Payments		6,434	1,197,618
Net cash flows from operating activities	21	4,525,048	24,490,735
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		58,593,883	47,075,567
Loan disbursements paid out		(7,380,000)	(86,743,000)
Net cash flows used in investing activities		51,213,883	(39,667,433)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		55,738,931	(15,176,698)
Cash and cash equivalents at 1 JULY	11	44,258,707	59,435,405
Cash and cash equivalents at 30 JUNE	11	99,997,637	44,258,707

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	FY 2019/2020	FY 2019/2020	FY 2019/2020	FY 2019/2020	FY 2019/2020	FY 2019/2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	0	0	0	0	
Transfers from County Govt.	15,000,000	0	15,000,000	0	15,000,000	100%
Interest income	4,338,650	0	4,338,650	4,531,482	-192,832	-4%
Repayments of Loans	53,743,434	0	53,743,434	58,593,883	-4,850,449	-9%
Total income	73,082,084	0	73,082,084	63,125,365	9,956,719	14%
Expenses						
Disbursements	15,000,000	0	15,000,000	7,380,000	7,620,000	51%
Staff costs	3,000,000	0	3,000,000	0	3,000,000	100%
General expenses	0	0	8,640	6434	2,206	26%
Finance cost	8,640	0	0	0	0	
Total expenditure	18,008,640	0	18,008,640	7,380,000	10,628,640	59%
Surplus for the period	55,073,444	0	55,073,444	40,568,667	14,504,777	26%

As per International Public Sector Accounting Standard 24.14, the following notes are relevant as regards to the above;

- (1) Transfers from the County Government were **100%** below the projection owing to supplementary budget approvals.
- (2) Projected secondment of particular staff to the Scheme Fund by the Nandi County Assembly did not happen and therefore no staff costs were incurred, thus **100%** of that staff cost budget could not be executed.
- (3) General expenses totalling **KShs. 6,434** were 26% below the anticipated **KShs. 8,640** because of less banking activities during the period owing the outbreak of the COVID 19 pandemic that meant reduction in office related activities of backings etc.
- (4) Disbursements projected at **KShs. 15 million** were **KShs. 7.38 million** at the end of the year owing to supplementary budget approvals by the County Assembly based on the effects of the COVID 19 pandemic that meant budgets for borrowing became unrealizable, therefore unable to execute **51%** of its budget.

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 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 are covered purely under Public Sector combinations as amalgamations.

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

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

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

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



**Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on Nandi. 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 nil appropriations of Nandi County Assembly Scheme Fund on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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 directors, the CEO and senior managers.

16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management (Nandi County Assembly Members' Scheme Fund Mortgages and Car Loans) Regulations, 2018 under the County Assembly of Nandi. Its ultimate parent is the County Government of Nandi.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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)

22. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	000	000	000	000
Receivables from non-exchange transactions	000	000	000	000
Bank balances	000	000	000	000
Total	000	000	000	000
	000	000	000	000
At 30 June 2018	000	000	000	000
Receivables from exchange transactions	000	000	000	000
Receivables from non exchange transactions	000	000	000	000
Bank balances	000	000	000	000
Total	000	000	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	000	000	000	000
Current portion of borrowings	000	000	000	000
Provisions	000	000	000	000
Employee benefit obligation	000	000	000	000
Total	000	000	000	000
At 30 June 2018	000	000	000	000
Trade payables	000	000	000	000
Current portion of borrowings	000	000	000	000
Provisions	000	000	000	000
Employee benefit obligation	000	000	000	000
Total	000	000	000	000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

	KShs	Other currencies KShs	Total KShs
At 30 June 2019			
Financial assets	000	000	000
Investments	000	000	000
Cash	000	000	000
Debtors/ receivables			
Liabilities			
Trade and other payables	000	000	000
Borrowings	000	000	000
Net foreign currency asset/(liability)	000	000	000

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

13. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	000	000
Contributions from the public	000	000
Total	000	000

2. Transfers from County Government

Description	FY 2019/2020	FY 2018/2019
		KShs
Transfers from County Government – operations	0.00	22,000,000.00
Payments by County Assembly on behalf of the entity	0.00	0.00
Total	0.00	22,000,000.00

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	000	000
Fines	000	000
Total	000	000

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	4,531,481.98	3,688,352.33
Interest income from car loans	000	000
Interest income from investments	000	000
Interest income on bank deposits	000	000
Total interest income	4,531,481.98	3,688,352.33

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

Income from sale of tender documents	000	000
Miscellaneous income	000	000
Total other income	000	000

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	000	000
Loan processing costs	0.00	1,183,200.00
Professional services costs	000	000
Administration fees	000	000
Total	000.00	1,183,200.00

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	000	000
Staff gratuity	000	000
Staff training expenses	000	000
Social security contribution	000	000
Other staff costs	000	000
Total	000.00	000.00

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	000	000
Electricity and water expenses	000	000
Fuel and oil costs	000	000
Insurance costs	000	000
Postage	000	000
Printing and stationery	000	000
Rental costs	000	000
Security costs	000	000
Telecommunication	000	000
Bank Charges	6,434	000
Hospitality	000	000
Depreciation and amortization costs	000	000
Other expenses	000	000
Total	6,434	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	000	000
Interest on loans from banks	000	000
Total	000	000

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	000	000
Intangible assets	000	000
Total	000	000

11. Cash and cash equivalents

Description	FY 2019/2020	FY 2018/2019
	KShs	KShs
Fixed deposits account		0.00
On – call deposits		0.00
HFCK Current account: No.7040003061-0	91,820,363.62	36,977,580.02
HFCK Current account: No.1924813202	4,077,664.60	4,077,664.00
Credit Bank Limited Ac No. 0091018000055	4,099,609.00	3,203,461.00
Total cash and cash equivalents	99,997,637.22	44,258,705

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	FY 2019/2020	FY 2018/2019
	KShs	KShs
a) Fixed deposits account		
Kenya Commercial bank		0.00
Equity Bank		0.00
Sub- total		0.00
b) On - call deposits		
Kenya Commercial bank		0.00
Equity Bank		0.00
Sub- total		0.00
c) Current account		
HFCK Limited A/c No. 7040003061-0	91,820,363.62	36,977,580.02
HFCK Limited A/c No. 1924813202	4,077,664.60	4,078,425.00
Credit Bank Limited A/c No. 0091018000055	4,099,609.00	3,203,461.00
Sub- total	99,997,637.22	44,259,466.02
d) Others(specify)		
Cash in transit		0.00
Cash in hand		0.00
M-Pesa		0.00
Sub- total		0.00
Grand total		44,259,466.02

12. Receivables from exchange transactions

Description	FY 2019/2020	FY 2018/2019
	KShs	KShs
Current Receivables		
Interest receivable		0.00
Current loan repayments due	59,049,660.00	236,446,129.77
Other debtors (County Executive of Nandi)	0.00	69,876,336.00
Less: impairment allowance		
Total Current receivables	59,049,660.00	306,322,465.77
Non-Current receivables		
Long term loan repayments due	196,463,159.31	0.00
Total Non-current receivables	196,463,159.31	0.00

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

Description	FY 2019/2020	FY 2018/2019
	KShs	KShs
Total receivables from exchange transactions	255,512,819.31	306,322,465.77

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	000	000
Accrued interest receivable from of long-term loans of previous years	000	000
Interest receivable from current portion of long-term loans issued in the current year	000	000
Current loan repayments due	000	000
Current portion of long-term loans from previous years	000	000
Accrued principal from long-terms loans from previous periods	000	000
Current portion of long-term loans issued in the current year	000	000

13. Revenue from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	000	000
Transfer to Nandi County Scheme Fund	000	000
Total receivables from non-exchange transactions	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	000	000
Prepaid insurance	000	000
Prepaid electricity costs	000	000
Other prepayments(specify)	000	000
Total	000	000

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	000	000
Spare parts and meters	000	000
Catering	000	000
Other inventories(specify)	000	000
Total inventories at the lower of cost and net realizable value	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2018	000	000	000	000	000
Additions	000	000	000	000	000
Disposals	000	000	000	000	000
Transfers/adjustments	000	000	000	000	000
At 30th June 2019	000	000	000	000	000
At 1st July 2019	000	000	000	000	000
Additions	000	000	000	000	000
Disposals	000	000	000	000	000
Transfer/adjustments	000	000	000	000	000
At 30th June 2020	000	000	000	000	000
Depreciation and impairment	000	000	000	000	000
At 1 st July 2018	000	000	000	000	000
Depreciation	000	000	000	000	000
Impairment	000	000	000	000	000
At 30th June 2019	000	000	000	000	000
At 1st July 2019	000	000	000	000	000
Depreciation	000	000	000	000	000
Disposals	000	000	000	000	000
Impairment	000	000	000	000	000
Transfer/adjustment	000	000	000	000	000
At 30th June 2020	000	000	000	000	000
Net book values	000	000	000	000	000
At 30th June 2019	000	000	000	000	000
At 30th June 2020	000	000	000	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	KShs	KShs
Cost		
At beginning of the year	000	000
Additions	000	000
At end of the year	000	000
Amortization and impairment		
At beginning of the year	000	000
Amortization	000	000
At end of the year	000	000
Impairment loss	000	000
At end of the year	000	000
NBV	000	000

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	000	000
Refundable deposits	000	000
Accrued expenses	000	000
Other payables	000	000
Total trade and other payables	000	000

d) Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	000	000	000	000
Additional Provisions	000	000	000	000
Provision utilised	000	000	000	000
Change due to discount and time value for money	000	000	000	000
Transfers from non -current provisions	000	000	000	000
Balance at the end of the year (30.06.2019)	000	000	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	000	000
External borrowings during the year	000	000
Domestic borrowings during the year	000	000
Repayments of external borrowings during the period	000	000
Repayments of domestics borrowings during the period	000	000
Balance at end of the period	000	000

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	000	000
Sterling Pound denominated loan from 'yyy organisation'	000	000
Euro denominated loan from zzz organisation'	000	000
Domestic Borrowings	000	000
Kenya Shilling loan from KCB	000	000
Kenya Shilling loan from Barclays Bank	000	000
Kenya Shilling loan from Consolidated Bank	000	000
Borrowings from other government institutions	000	000
Total balance at end of the year	000	000

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	000	000
Long term borrowings	000	000
Total	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CHANGES IN RECEIVABLE

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	306,322,466	000
Account receivable issued during the year (B)	7,380,000	000
Account receivable settled during the Year (C)	63,125,365	000
Net changes in account receivables D= A+B-C	250,577,101	000

21. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	000	000
Accounts Payable held during the year (B)	000	000
Accounts Payable paid during the Year (C)	000	000
Net changes in account receivables D= A+B-C	000	000

22. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	000	000	000	000
Non-current benefit obligation	000	000	000	000
Total employee benefits obligation	000	000	000	000

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	000	000
Adjusted for:	000	000
Depreciation	000	000
Amortisation	000	000
Gains/ losses on disposal of assets	000	000
Interest income	000	000
Finance cost	000	000
Working Capital adjustments	000	000
Increase in inventory	000	000
Increase in receivables	000	000
Increase in payables	000	000
Net cash flow from operating activities	000	000

24. Related party balances

a) Nature of related party relationships

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

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

Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	000	000
Transfers to related parties	000	000

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	000	000
Key Management Compensation	000	000
Total	000	000

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	000	000
Due from County Government	000	000
Total	000	000

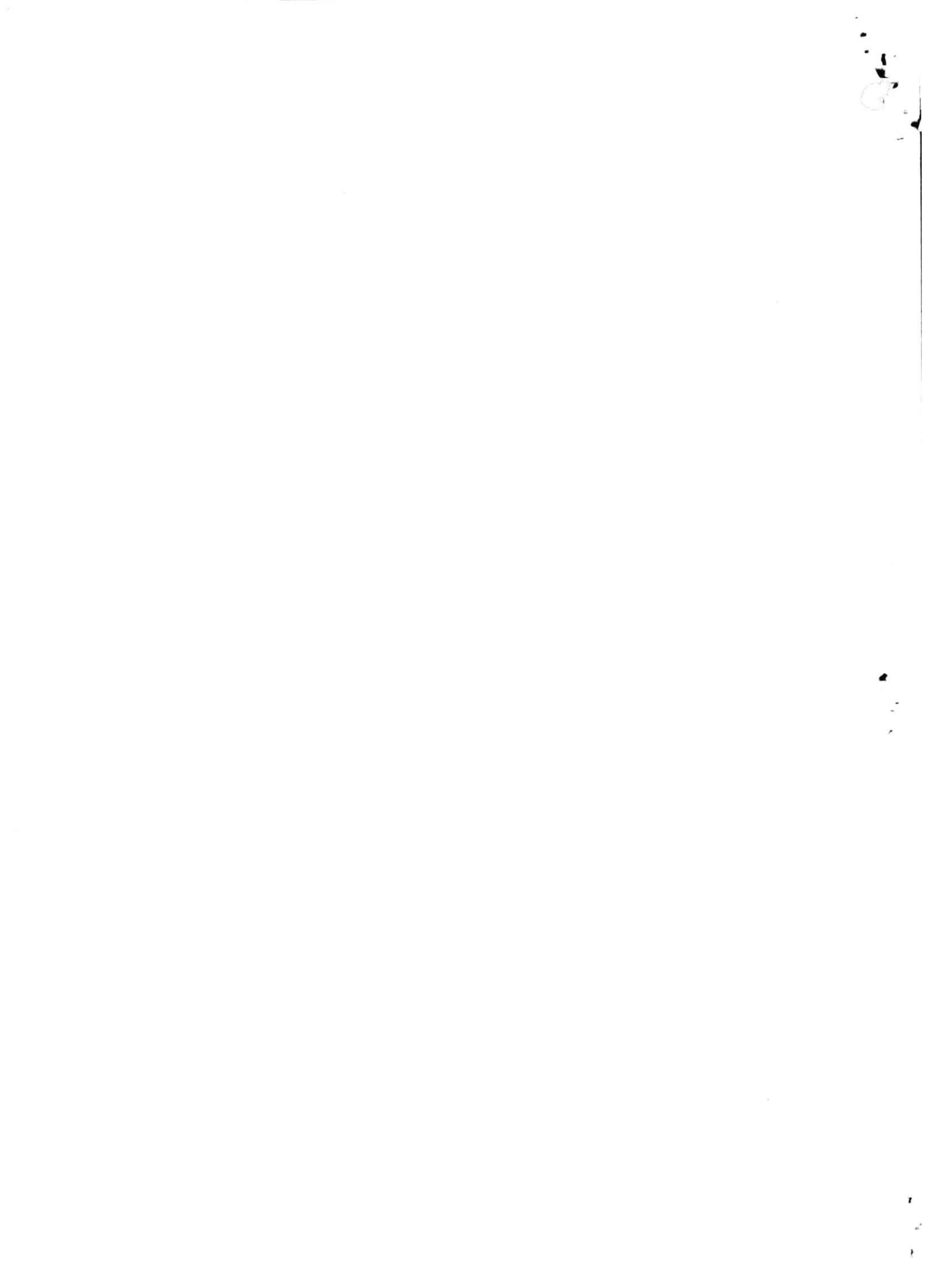
e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	000	000
Due to County Government	000	000
Due to Key management personnel	000	000
Total	000	000

25. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case xxx against the Fund	000	000
Bank guarantees	000	000
Total	000	000

(Give details)



Nandi County Assembly Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020

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

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

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

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

