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REPORT

OF

THE AUDITOR-GENERAL

ON

**COUNTY ASSEMBLY OF NAKURU
CAR LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2018**

banas



19 FEB 2021

**COUNTY ASSEMBLY OF NAKURU CAR LOAN AND MORTGAGE
FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

**County Assembly of Nakuru Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2018**

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1. KEY COUNTY ASSEMBLY OF NAKURU CAR LOAN AND MORTGAGE SCHEME FUND INFORMATION AND MANAGEMENT

a) Background information

The Nakuru County Assembly Car Loan and Mortgage Scheme Fund was established under County Government of Nakuru Car Loan and Mortgage Scheme Fund Regulations of 2014. The Fund is wholly owned by the County Assembly of Nakuru and is domiciled in Kenya.

The principal purpose and object of the Act is to establish a loan scheme to provide loans to Members of the Scheme to purchase motor vehicles and residential houses or to develop, renovate/repair their residential property.

The Fund's principal activity is advancing Car Loans and Mortgage to Members of County Assembly and Staff.

b) Principal Activities

The principal mandate of the Fund is to provide affordable Car and Mortgage loans to Members and Staff of the Assembly

c) Key Management

Ref	Name	Position
1	Joseph M. Malinda	County Assembly Clerk
2	Stephen M. Gatimu	Deputy County Assembly Clerk
3	Jane N. Waweru	Director Finance, Budget and Procurement
4	Jane W. Karanja	Director Human Resource and Development
5	Joseph K. Chege	Director Hansard and ICT

**County Assembly of Nakuru Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2018**

d) Registered Offices

County Assembly Building
George Morara Road
P.O. Box 907
Nakuru, KENYA

e) Fund Contacts

Telephone :(254)051-2216472
E-mail: clerkassembly@nakurucounty.go.ke
Website: www.nakurucounty.org.ke

f) Fund Bankers

Family Bank Towers,
Muindi Mbingu Street
P.O. Box 7414-00200
City Square
Nairobi, Kenya
Nakuru Finance
Account No. 018000055807
Account No. 018000067410
Account No. 018000073215
Account No. 018000073217

g) Independent Auditors

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

h) Principal Legal Adviser






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

**2. STATEMENT OF PERFORMANCE AGAINST COUNTY ASSEMBLY OF NAKURU
CAR LOAN AND MORTGAGE SCHEME FUND'S PREDETERMINED
OBJECTIVES**

In the FY 2017-2018, the Assembly budgeted KES 133.8 million as the additional funding to the Car Loan and Mortgage scheme. The Assembly received KES 133.8 million for the period which represented 100% of the budgeted amount. The Assembly managed to disburse KES 389.6 million to Members of County Assembly and loan repayments in the period was slightly above KES 46 million.

**County Assembly of Nakuru Car Loan and Mortgage Fund
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3. MANAGEMENT TEAM

	Name	Details of qualifications and experience
1	 Joseph M. Malinda	Masters of Business Administration (MBA), Bachelor of Laws (LLB). 26 years' Experience. Clerk to the County Assembly.
2	 Stephen M. Gatimu	MPA, Bachelor of Arts (BA). 13 years' Experience. Deputy Clerk
3	 Jane N. Waweru	Bachelor of Commerce / CPA (K). 24 years' experience. Director-Finance, Budget and Procurement
4	 Jane W. Karanja	Bachelor of Business Administration (BBM), Diploma in Business Management. 21 years' experience. Director Human Resource and Development.
5	 Joseph K. Chege	Bachelor of Arts (BA), Diploma in Mass Communication, 26 years' Experience

4. REPORT OF THE FUND ADMINISTRATOR

The Nakuru County Assembly Car Loan and Mortgage Scheme Fund is doing the fifth year running and the Assembly had budgeted one hundred and thirty-three million Kenyan shillings in the period ended 30th June, 2018. The additional funding was to mainly cater for the second lot of Members of the County Assembly.

The Assembly got all the funds budgeted for in the financial year 2017/2018 {KES 133.8M}. At the close of the year in 30th June, 2018; the fund had disbursed KES 389M to Members of Staff while repayments stood at KES 46 million.

The Assembly will continue allocating adequate resources to the Fund in the subsequent years so as to benefit all Members of Staff. We expect the National Treasury to release all the budgeted amount to the Assembly in the coming periods so as to enable the Fund achieve its intended purpose.

Signed: 

Date 17/02/2021

Joseph M. Malinda

County Assembly of Nakuru Car Loan and Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2018

5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Nakuru County Assembly Car Loan (Members) Scheme Fund Regulations, 2014 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 Assembly Car Loan and Mortgage Scheme 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, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Assembly Car Loan and Mortgage 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 and The Nakuru County Assembly Car Loan (Members) Scheme Fund Regulations of 2014. 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, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Assembly Car Loan and Mortgage 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

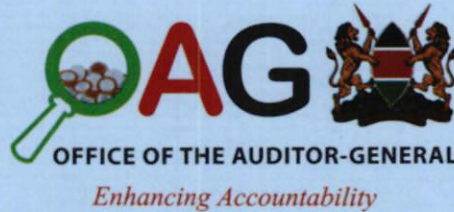
The Fund's financial statements were approved on 17/02 2021 and signed by: -



Fund Administrator.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF NAKURU CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of County Assembly of Nakuru Car Loan and Mortgage Fund set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2018, and statement of financial performance, statement of changes in net assets, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Irregular Merging of Funds in One Financial Statements.

The financial statements provided for audit is a consolidation of two (2) Funds without approval of the County Assembly. The County Assembly passed two separate Regulations, thereby creating Car Loan Fund and a Mortgage Fund. However, Management prepared one financial statement combining the two funds without approval from the County Assembly. This fails to enhance completeness and disclosure as per the requirement of International Public Sector Accounting Standards No.1 on presentation of the financial statements.

As such, the financial statements do not comply with the requirements of International Public Sector Accounting Standards No.1 on presentation and its accuracy and completeness could not be confirmed.

2. Errors in the Annual Reports and Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following anomalies contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB): -

- 2.1. The annual report and financial statements have not incorporated the board of trustees, board/fund chairperson's report, corporate governance statement, management discussion and analysis, corporate social responsibility statement/sustainability reporting and report of the trustees as required by reporting template;
- 2.2. The statement of cash flows has not indicated notes for interest received, proceeds from loan principal repayments and loan disbursements paid out;
- 2.3. The summary of significant accounting policies on page 14 under the comparative figures indicates that "there are no comparative figures since this is the Fund's initial year"

Consequently, the financial statements as presented do not comply with International Public Sector Accounting Standard No.1 on presentation of financial statements and the guidelines and format prescribed by the PSASB.

3. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following inaccuracies: -

- 3.1. The statement of financial performance reflects comparative general expenses balance of Kshs.4,938 while Note 5 to financial statements reflects Kshs.2,530 resulting to unexplained nor reconciled variance of Kshs.2,408;
- 3.2. Statement of financial position reflects total assets of Kshs.475,091,075 while casting revealed Kshs.473,183,712 resulting to unexplained nor reconciled variance of Kshs.1,907,363;
- 3.3. Statement of comparison of budget and actual amounts reflects performance difference deficit Kshs.12,187,044 while casting revealed deficit of Kshs.6,529,112 resulting to unexplained nor reconciled variance of Kshs.5,657,932;
- 3.4. Note 1 to the financial statements reflects transfer from county government for operations of Kshs.133,868,013 (2017 – Kshs.3,285,516) while statement of financial performance reflects a nil balance.

Under the circumstances, the accuracy and completeness of the stated balances included the financial statements for the year ended 30 June, 2018 could not be confirmed.

4. Over-Stated Interest Income

The statement of financial performance for the year ended 30 June, 2018 reflects interest income Kshs.9,358,078 (2017 – Kshs.7,136,130) as disclosed under Note 2 of the financial statements. However, the interest income computation for the month of July, 2017 to November, 2017 was based on monthly cumulative repayments at a

rate of 4% instead of reducing balance method and at 3% as per regulations. Therefore, the extra 1% interest of Kshs.910,811 was overcharged to borrowers. The computation is not in line with Section 11(1) of the Public Finance Management (County Assembly of Nakuru Car Loan (Members) Scheme Fund) Regulations, 2014 which states that a loan granted to a member of the Scheme under these regulations shall carry an interest rate of three percent per annum. Also, it contravenes Section 15(1) of the Public Finance Management (County Assembly of Nakuru Mortgage (Members) Scheme Fund) Regulations, 2014 which states that the interest chargeable on a loan shall be three per centum per annum on a monthly reducing balance and the rate may be reduced from time as may be prescribed, an interest accruing shall be credited to the capital fund.

Under the circumstances, the accuracy and completeness of interest income of Kshs.9,358,078 for the year ended 30 June, 2018 could not be confirmed.

5. Comparative Cash and Cash Equivalents

The statement of financial position reflects comparative cash and cash equivalents balance of Kshs.249,027,899 as disclosed under Note 6 to the financial statements. However, as previously reported in 2016/2017, the main account bank reconciliation indicates unrepresented cheques of Kshs.80,087,204 without showing the cheque numbers and dates. It was noted that the amounts represent outstanding loans for each of the listed borrower as at 30 June, 2017 which is not a reconciling item. In addition, the reconciliation includes receipts in cashbook not yet recorded in bank statement of Kshs.245,672 which were explained to be penalties charged in respect to delayed repayments. However, review of the cashbook revealed that they had been wrongly treated as expenditure.

Under the circumstances, the accuracy and completeness of comparative cash and bank balance of Kshs.249,027,899 as at 30 June, 2018 could not be confirmed.

6. Unsupported Loan Repayments

The statement of cash flows for the year ended 30 June, 2018 reflects loan repayments of Kshs.46,981,200 (2017 - Kshs.80,449,413). However, the bank statements for the period July 2017 to January, 2018 were not provided for audit to confirm receipts of loan repayments by each borrower.

Under the circumstances, the accuracy and completeness of proceeds from loan principal repayments of Kshs.46,981,200 for the year ended 30 June, 2018 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance

of the matters described in the Basis for Disclaimer of Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Non-Remittance of Fringe Benefit Tax

The statement of financial positions reflects current portion of long-term receivables from exchange transactions of Kshs.109,087,309 and long-term receivables from exchange transactions of Kshs.316,293,263 as disclosed under Note 7 to the financial statements. The balances relate to low interest loans granted to employees and County Assembly Members at the rate of 3%. However, during the year under review, there was no evidence that the management had deducted and remitted fringe benefit tax to Kenya Revenue Authority contrary to the provisions of Section 12B of the Income Tax Act.

To this extent, the Fund is in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Conclusion of Internal Controls, Risk Management and Governance sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Lack of Fire and Risk Management Policy

During the audit, it was noted that the Fund does not have a fire and risk management strategy contrary to Section 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies, which include fraud prevention mechanism and internal controls that builds robust business operations.

Under the circumstances, the Fund's risk management strategies for the year under review could not be ascertained.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intends 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 Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance

with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 December, 2021

County Assembly of Nakuru Car Loan and Mortgage Fund
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For the year ended June 30, 2018

FINANCIAL STATEMENTS

6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017/2018	2016/2017
		KES	KES
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies	3		245,673
Revenue from exchange transactions			
Interest income	2	9,358,078	7,136,130
Other income			
Total revenue		9,358,078	7,381,802
Expenses			
Fund administration expenses	4	2,815,766	1,784,032
General expenses	5	13,200	4,938
Finance costs			
Total expenses		2,828,966	1,788,970
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		6,529,112	5,592,832

County Assembly of Nakuru Car Loan and Mortgage Fund
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6.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

	Note	2017/2018 KES	2016/2017 KES
Assets			
Current assets			
Cash and cash equivalents	6	47,803,140	249,027,899
Current portion of long- term receivables from exchange transactions	7	109,087,309	55,965,213
Prepayments			
Inventories			
Non-current assets			
Property, plant and equipment			
Intangible assets			
Long term receivables from exchange transactions	7	316,293,263	27,793,475
Total assets		475,091,075	332,786,587
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions			
Provisions			
Current portion of borrowings			
Employee benefit obligations			
Non-current liabilities			
Non-current employee benefit obligation			
Long term portion of borrowings			
Total liabilities			
Net assets			
Revolving Fund		457,153,529	323,285,516
Reserves			
Accumulated surplus		16,030,183	9,501,071
Total net assets and liabilities		473,183,712	332,786,587

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund financial statements were approved on 19/02 2021 and signed by:



Administrator of the Fund
Joseph M. Malinda



Fund Accountant
Jane N. Waweru
ICPAK M/No.:7941

County Assembly of Nakuru Car Loan and Mortgage Fund
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6.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2018

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KES	KES	KES	KES
Balance as at 1 July 2016	320,000,000	-	3,908,239	323,908,239
Surplus/(deficit) for the period		-	5,592,832	5,592,832
Funds received during the year	3,285,516	-	-	3,285,516
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	323,285,516	-	9,501,071	332,786,587
Balance as at 1 July 2017	323,285,516	-	9,501,071	332,786,587
Surplus/(deficit) for the period	-	-	6,529,112	6,529,112
Funds received during the year	133,868,013	-	-	133,868,013
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	457,153,529	-	16,030,183	473,183,712

County Assembly of Nakuru Car Loan and Mortgage Fund
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6.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017/2018	2016/2017
		KES	KES
Cash flows from operating activities			
Receipts			
Public contributions and donations			-
Transfers from the County Government	1	133,868,013	3,285,516
Interest received		7,596,098	2,874,877
Receipts from other operating activities			
Total Receipts		141,464,111	6,160,393
Payments			
Fund administration expenses			
General expenses	5	(13,200)	(4,938)
Finance cost			
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)			
Increase/(Decrease) in Accounts Payable: (deposits and retention)			
Net cash flows from operating activities		141,450,911	6,155,455
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments		46,981,200	80,449,413
Loan disbursements paid out		(389,656,870)	(56,370,000)
Net cash flows used in investing activities		(342,675,670)	24,079,413
Cash flows from financing activities			
Proceeds from revolving fund receipts			-
Additional borrowings			-
Repayment of borrowings			-

County Assembly of Nakuru Car Loan and Mortgage Fund
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Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents		(201,224,759)	30,234,867
Cash and cash equivalents at 1 JULY	6	249,027,899	218,793,031
Cash and cash equivalents at 30 JUNE		47,803,140	249,027,899

County Assembly of Nakuru Car Loan and Mortgage Fund
Reports and Financial Statements
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6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2018

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% utilisation
	2017-18	2017-18	2017-18	2017-18	2017-18	2017-18
Revenue	KES	KES	KES	KES	KES	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	103,658,956	30,209,057	133,868,013	133,868,013	-	108%
Interest income	-	-	-	9,358,078	(9,358,078)	
Other income	-	-	-	-	-	
Total income	103,658,956	30,209,057	133,868,013	143,226,091	(9,358,078)	107%
Expenses						
Fund administration expenses	-	-	-	2,815,766	(2,815,766)	
General expenses	-	-	-	13,200	(13,200)	
Finance cost	-	-	-	-	-	
Total expenditure	-	-	-	2,828,966	(2,828,966)	
Surplus for the period	103,658,956	30,209,057	133,868,013	140,397,125	(12,187,044)	105%

County Assembly of Nakuru Car Loan and Mortgage Fund
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6.6. 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) New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.
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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund'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 to impairment testing; and

County Assembly of Nakuru Car Loan and Mortgage Fund
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Standard	Effective date and impact:
	<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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund'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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the County Assembly of Nakuru Car Loan and Mortgage Scheme Fund; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the County Assembly of Nakuru Car Loan and Mortgage Scheme Fund's financial performance, financial position and cash flows.
<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.

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

b) Early adoption of standards

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2017/2018 was approved by the County Assembly on June,2017.

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund'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 6.5 of these financial statements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund assesses at each reporting date whether there is objective evidence that a financial asset or an County Assembly of Nakuru Car Loan and Mortgage Scheme Fund of financial assets is impaired. A financial asset or an County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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

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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)

6. Changes in accounting policies and estimates

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

7. Related parties

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund regards a related party as a person or an County Assembly of Nakuru Car Loan and Mortgage Scheme Fund with the ability to exert control individually or jointly, or to exercise significant influence over the County Assembly of Nakuru Car Loan and Mortgage Scheme Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors and the Clerk to the Assembly.

8. 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.

9. Comparative figures

There are no comparative figures since this is the Fund's initial year.

10. Events after the reporting period

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

11. Ultimate and Holding County Assembly of Nakuru Car Loan and Mortgage Scheme Fund

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund is a County Public Fund established by The Nakuru County Assembly Car Loan (Members) Scheme Fund Regulations of 2014 under the County Assembly of Nakuru. Its ultimate parent is the County Government of Nakuru.

12. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund. 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 County Assembly of Nakuru Car Loan and Mortgage Scheme Fund
- 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

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6.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	2017/2018	2016/2017
	KES	KES
Transfers from County Govt. – operations	133,868,013	3,285,516
Payments by County on behalf of the County Assembly of Nakuru Car Loan and Mortgage Scheme Fund	-	-
Total	133,868,013	3,285,516

2. Interest income

Description	2017/2018	2016/2017
	KES	KES
Interest income from Car & Mortgage Loans	9,358,078	7,136,130
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	9,358,078	7,136,130

3. Fines, penalties and other levies

Description	2017/2018	2016/2017
	KES	KES
Late payment penalties	-	245,673
Fines	-	-
Total	-	245,673

4. Fund administration expenses

Description	2017/2018	2016/2017
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	KES	KES
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	2,815,766	1,784,032
Administration fees	-	-
Total	2,815,766	1,784,032

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. General expenses

Description	2017/2018	2016/2017
	KES	KES
Bank Charges	13,200	2,530
Other expenses	-	-
Total	13,200	2,530

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and cash equivalents

Description	2017/2018	2016/2017
	KES	KES
Car Loan and Mortgage Fund Account	28,807,166	243,441,784
Interest Account	4,775,613	5,586,115
Loan Principal Account	6,817,810	-
Remittance Account	7,402,551	-
Total cash and cash equivalents	47,803,140	249,027,899

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2017-2018	2016-2017
Financial institution	Account number	KES	KES
a) Fixed deposits account			
Sub- total		-	-
b) On - call deposits			
Sub- total		-	-
c) Current account			
CAR LOAN AND MORTGAGE - FAMILY BANK	18000055807	28,807,166	243,441,784
INTEREST ACCOUNT - FAMILY BANK	18000067410	4,775,613	5,586,115
PRINCIPAL ACCOUNT - FAMILY BANK	18000073215	6,817,810	
REMMITANCE ACCOUNT - FAMILY BANK	1800073217	7,402,551	
Sub- total		47,803,140	249,027,899
Sub- total		47,803,140	249,027,899
Grand total		47,803,140	249,027,899

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7. Receivables from exchange transactions

Description	2017/2018	2016/2017
	KES	KES
Current Receivables		
Interest receivable	712,046	3,671,484
Current loan repayments due	108,375,263	52,293,729
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	109,087,309	55,965,213
Non-Current receivables		
Long term loan repayments due	316,293,263	27,793,475
Total Non- current receivables	316,293,263	27,793,475
Total receivables from exchange transactions	425,380,572	83,758,688

Additional disclosure on interest receivable

Description	2017/2018	2016/2017
	KES	KES
Interest receivable		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year		
Current loan repayments due		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

8. Revenue from Non-Exchange transaction

Description	2017/2018	2016/2017
	KES	KES
Transfer to County Executive		
Transfer to Car Loan and Mortgage Fund		
Total receivables from non-exchange transactions		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. CHANGES IN RECEIVABLE

Description of the error	2017/2018	2016/2017
	KES	KES
Account receivable as at 1 st July 2013 (A)		
Account receivable issued during the year (B)		
Account receivable settled during the Year (C)		
Net changes in account receivables D= A+B-C		

10. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2017/2018	2016/2017
	KES	KES
Accounts Payable as at 1 st July 2013 (A)		
Accounts Payable held during the year (B)		
Accounts Payable paid during the Year (C)		
Net changes in account receivables D= A+B-C		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Cash generated from operations

	2017/2018	2016/2017
	KES	KES
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation	-	
Amortisation	-	
Gains/ losses on disposal of assets	-	
Interest income	9,358,078	7,381,802
Finance cost	(2,828,966)	(1,788,970)
Working Capital adjustments	-	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	6,529,112	5,592,832

12. Related party balances

a) Nature of related party relationships

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

- a) The County Government of Nakuru;
- b) County Assembly of Nakuru;
- c) Key management;
- d) Family Bank of Kenya Ltd

