

REPUBLIC OF KENYA



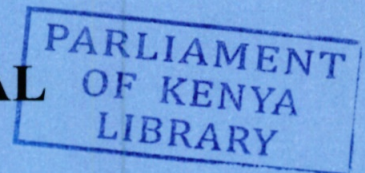
*Enhancing Accountability*

PAPERS LAID	
DATE	28/2/2024
TABLED BY	Maj. Leader
COMMITTEE	
CLERK AT THE TABLE	

**REPORT**

**OF**

**THE AUDITOR-GENERAL**



**ON**

**COUNTY ASSEMBLY OF EMBU CAR  
LOAN AND MORTGAGE (STAFF)  
SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



---

COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (STAFF) SCHEME  
FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2023

---

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

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund*  
*Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

Table of Contents

1. Acronyms and Glossary of Terms .....	iii
2. Key Entity Information and Management .....	iv
3. The Board of Trustees/ Fund Administration Committee .....	viii
4. Management Team .....	x
5. Board/Fund Committee Chairperson's Report .....	xii
6. Report of the Fund Administrator .....	xiii
7. Statement Of Performance Against County Fund's Predetermined Objectives .....	xvi
8. Corporate Governance Statement .....	xviii
9. Management Discussion and Analysis .....	xx
10. Enviromental and Sustainability Reporting .....	xxi
11. Report of the Trustees .....	xxiii
12. Statement of Management's Responsibilities .....	xxiv
13. Report of the Independent Auditor on the Financial Statements for Members fund ..	xxvi
14. Statement of Financial Performance for the Year ended 30th June 2023 .....	1
15. Statement of Financial Position as at 30th June 2023 .....	2
16. Statement of Changes in Net Assets for the year ended 30th June 2023 .....	3
17. Statement of Cash Flows for the year ended 30th June 2023 .....	4
18. Statement of Comparison of Budget and Actual Amounts for the period .....	5
19. Notes to Financial Statements .....	6
20. Notes to the Financial Statements .....	18
10. Related Party Balances .....	20
a) Related party Transactions .....	20
b) Due from Related Parties .....	20
21. Progress on Follow up of the Prior Year Auditor's Recommendations .....	20

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

1. Acronyms and Glossary of Terms

a) Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CAE	County Assembly of Embu
CASBE	County Assembly Service Board of Embu
NT	National Treasury
EACC	Ethics and Anti-Corruption Commission
COB	Controller of Budget
PAC	Public Accounts Committee
PIA	Principal Internal Auditor
FA	Fund Administrator
CA	County Assembly
CoK	Constitution of Kenya 2010

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
Fund Administrator	The person responsible for financial management of the fund

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**2. Key Entity Information and Management**

**Background information**

The County Assembly of Embu Car loan and Mortgage scheme is a revolving fund established pursuant to Section 116 of the PFM Act. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the Administrator of public fund with the responsibility of the preparation of annual financial statements. For proper management of the fund and as advised by the SRC, the County Assembly of Embu adopted the PFM regulations 2014 to guide in the operationalization of the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the County Assembly Service Board approved and adopted. The fund is wholly owned by the County Assembly of Embu and is domiciled in Kenya.

The objective of the fund is to provide Car and Mortgage loans to members of staff

**a) Principal Activities**

The principal activity of the fund is to provide car and mortgage loans to Members of Staff at affordable interest rates in order to facilitate them buy or construct individual residential houses and purchase cars for their use in order to work effectively and efficiently to achieve the goal of the organization. The loans are recovered from their salaries for the remaining term of their employment.

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

Ref	Name	Position
1	Jim G. Kauma	Chairman of the Committee
2	James Munyi	Vice-Chairman
3	Moses Karagirwa	Member
4	David Githaga	Member
5	Boniface Muthomi	Member
6	CPA Josiah Karanja	Fund Administrator/Secretary to Committee

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

---

**c) Key Management Team**

Ref	Position	Name
1	Committee Chairman	Jim G. Kauma
2	Fund Administrator/ Secretary to Committee and Director Finance & Accounts	CPA Josiah Muhia Karanja
3	Fund Accountant/Principal Finance Officer	CPA Kamau Wachiuri

**d) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Principal Internal Auditor	CPA Stephen Kisoi
2	CASBE	Hon. Josiah Thiriku (Chairperson)
3	CAE Audit Committee	CS Hellen Mungania (Chairperson)
4	PAC	Hon. Paul Muchangi (Chairperson)

The PIA is required to give an independent, objective assurance and consulting activity designed to add value and improve organization's operations. He audits all funds of the assembly and reports his findings to the audit committee and the accounting officer. He is not part of the management nor operation of the fund activities.

The CASBE is required to approve the budget and any policy document required for the smooth running of the fund. The CASBE is also required to play an oversight role by making sure that the fund management adheres to the regulations.

The audit committee plays a key oversight role and is established under the PFM Act. The committee ensures the organization operates within the legal and ethical framework adhering to applicable regulations and public finance guidelines. The committee reviews compliance programs to assess their effectiveness and identify any gaps or areas of improvement.

The PAC examines all auditor general reports emanating from all the funds of the CA. Their role is to study public audit and invite fund managers for questioning and report on their findings to the CA.

They also make recommendations on how to run public funds effectively and efficiently. Its an oversight committee created by the CoK 2010.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**e) Registered Offices**

County Assembly of Embu Chambers  
Spring Valley Area Along James Nyaga Crescent road  
Opposite Faith House  
P O Box 140-60100  
**EMBU, KENYA**

**f) Fund Contacts**

Telephone: (254) 0682231208  
E-mail: [countyassemblyofembu@gmail.com](mailto:countyassemblyofembu@gmail.com)  
Website: [www.embuassembly.go.ke](http://www.embuassembly.go.ke)

**g) Fund Bankers**

1. Family Bank Kenya

Embu Branch

**EMBU**

2. Winas Sacco

EMBU

**h) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P O Box 30084- GPO 00100

**NAIROBI, KENYA**

**i) Principal Legal Adviser**

The Attorney General

***County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023***

State Law Office- Harambee Avenue

P.O. Box 40112

City Square 00200

**NAIROBI, KENYA**

**j) County Attorney**

The Director,

Litigation, legal compliance and legislative drafting,

County Assembly of Embu

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

3. The Board of Trustees/ Fund Administration Committee




NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
	<p>Name: Mr. Jim G. Kauma</p> <p>County Assembly Clerk</p> <p>Date of birth: 19<sup>th</sup> September 1981</p> <p>Master's degree in Public Policy and Administration</p>
	<p>Name: Mr. James Munyi Ileri</p> <p>Date of Birth: 7<sup>th</sup> February 1980</p> <p>Designation: County Assembly Deputy Clerk</p> <p>Qualification: Bachelor of science</p>
	<p>Name: Mr David Mwangi Githaga</p> <p>Date of Birth: 22<sup>nd</sup> June 1970</p> <p>Designation: Director Legislative and Procedural and committee Services</p> <p>Qualification: Bachelors of Arts (BA)</p>

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*





	<p>Name: Mr. Boniface Muthomi</p> <p>Date of Birth: 10<sup>th</sup> May 1985</p> <p>Designation: Director, Litigation, legal compliance and Legislative Drafting.</p> <p>Qualification: Bachelor of Laws.</p>
	<p>Name: Mr. Moses Mucangi Karagirwa</p> <p>Date of Birth: 21<sup>st</sup> August 1967</p> <p>Designation: Director, Director Human Resource Management</p> <p>Qualification: MSC, Human Resource Management.</p>
	<p>Name: CPA Josiah Muhia Karanja</p> <p>Date of Birth: 1<sup>st</sup> July 1975</p> <p>Designation: Director financial and accounting services</p> <p>Qualification: B/Comm. CPA(K) CPS (K)</p> <p>Fund Administrator</p>

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

4. Management Team.

Name	Details of qualifications and experience
	<p>Name: Mr. Jim G. Gitonga.</p> <p>Date of Birth: 19<sup>th</sup> September 1981</p> <p>Designation: County Assembly Clerk</p> <p>Qualification: Master's degree in Public Policy and Administration.</p> <p>Committee Chairman</p>
	<p>Name: Mr. James Munyi Ileri</p> <p>Date of Birth: 7<sup>th</sup> February 1980</p> <p>Designation: County Assembly Deputy Clerk</p> <p>Qualification: Bachelor of science</p>
	<p>Name: CPA Josiah Muhia Karanja</p> <p>Date of Birth: 1<sup>st</sup> July 1975</p> <p>Designation: Director financial and accounting services</p> <p>Qualification: B/Comm. CPA(K) CPS (K)</p> <p>Fund Administrator/Secretary to the Committee</p>

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

	<p>Name: Mr David Mwangi Githaga</p> <p>Date of Birth: 22<sup>nd</sup> June 1970</p> <p>Designation: Director Legislative and Procedural and committee Services</p> <p>Qualification: Bachelors of Arts (BA)</p>
	<p>Name: Mr. Boniface Muthomi</p> <p>Date of Birth: 10<sup>th</sup> May 1985</p> <p>Designation: Director, Litigation, legal compliance and Legislative Drafting.</p> <p>Qualification: Bachelor of Laws.</p>
	<p>Name: Mr. Moses Mucangi Karagirwa</p> <p>Date of Birth: 21<sup>st</sup> August 1967</p> <p>Designation: Director, Director Human Resource Management</p> <p>Qualification: MSC, Human Resource Management.</p>
	<p>Name: CPA. Kamau Wachiuri</p> <p>Date of Birth: 1<sup>st</sup> May 1972</p> <p>Designation: Principal Finance Officer</p> <p>Qualification: MSc finance and accounting, CPA(K) Fund accountant.</p>

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**5. Board/Fund Committee Chairperson's Report**

**a) Changes in the Fund during the year (in terms of the board or key management team)**

The board of trustees has continued to perform its distinct functions to achieve the objectives of the board. In the Financial year under review there were no changes in the management of the fund. Also there has been no changes in the key management team.

**b) Review of the Fund's performance**

The fund performance has been vibrant in the year. So far the fund has disbursed loans to four (4) members of staff in the year under review considering that the fund started its operations in November 2022.

**c) Future outlook of the Fund**

The fund has a sound financial base and is expected to remain financially viable in future with ploughing back of the interests earned from the disbursed loans to members of staff. More applications are pending with 100% loan uptake.. The fund has not experienced any defaulting.

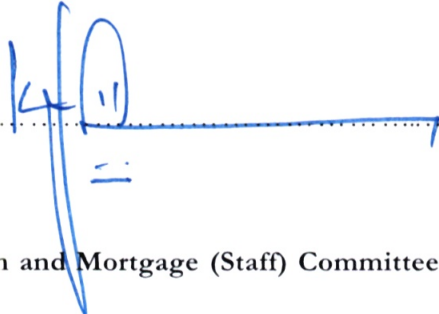
**d) Any other matters deemed necessary.**

The fund will continue discharging its mandate under the regulations and will comply with all relevant laws, regulations, circulars and advisories from time to time.

**e) A conclusion**

For maximum operation of the fund the CASBE will be required to allocate more funds for purposes of disbursing more loans to the members of staff.

It is my hope that the fund will continue to exercise its mandate in future.

Signature .....  ..... Date ..... 8/11/23 .....

**Jim. G. Kauma**

**Chairman - Car Loan and Mortgage (Staff) Committee**

*County Assembly of Embu Car Loan and Mortgage(Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

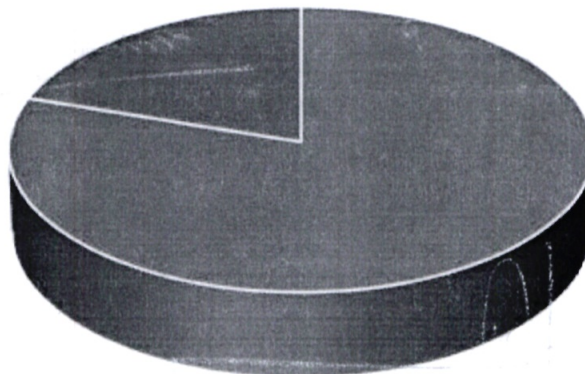
**6. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the County Assembly of Embu (Staff) Mortgage and Car loan Fund financial statements for the 8 months ended 30<sup>th</sup> June, 2023. The financial statements present the financial performance of the fund over the past 8 months. Its worth noting that the fund started in November 2022 and has continued disbursing loans to the Members of Staff at prescribed annual interest rate of 3% to facilitate them to buy cars and construct residential houses.

**The budget performance**

The fund was established and started with an initial budgeted amount of Kshs **10,000,000**. **Kshs 8,000,000** was deposited at Family bank Embu Branch from the CRF while Kshs. 2,000,000 is still owed by the County Treasury. Another **Kshs 2,000,000** was borrowed from the Members Car Loan and Mortgage Fund which is yet to be paid back to the fund.

Total Initial Capital



■ Transfers from CRF ■ Borrowed from MCAs Fund ■

**Incomes**

The fund raised interest income of Kshs **172,763** during the period of 8months its operated.no other incomes were realized from any other stream during the year.

The fund issued loans totaling to **Kshs 9,600,000** during the period against the seed capital of **Kshs. 10 000 000**

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

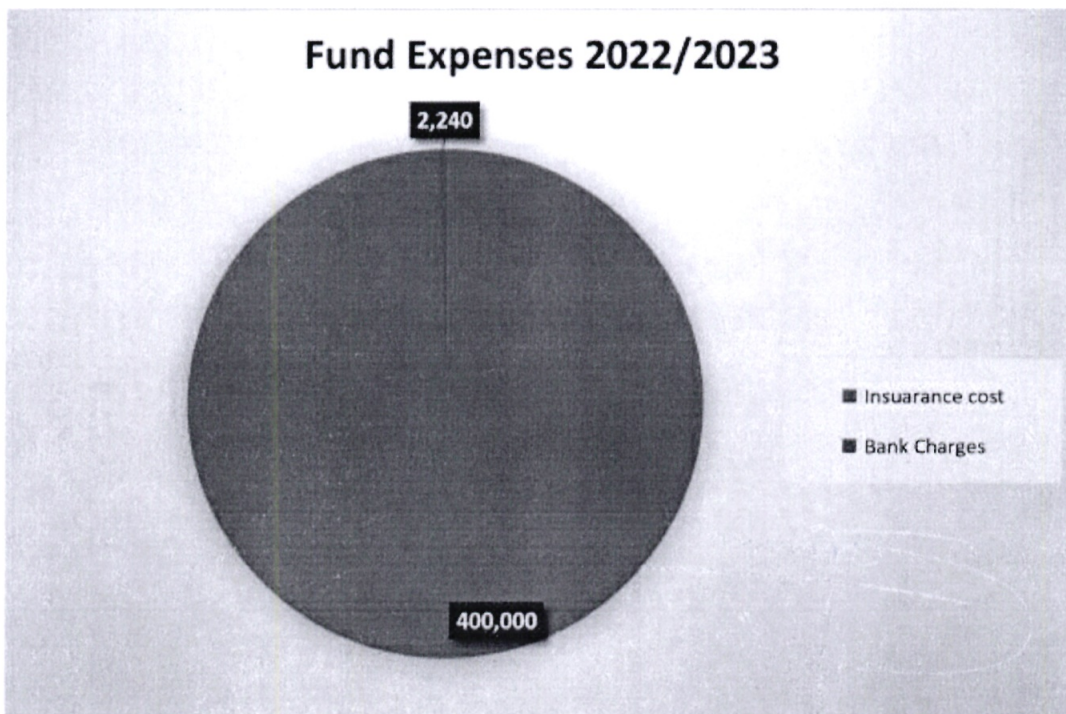
---

**Fund Expenses**

During the year the Fund had total expenses of Kshs. 402,240 broken down into the following expenditure votes

- a) Insurance Ksh 400,000
- b) Bank Charges - Kshs. 2,240

The surplus for the year was Kshs 170,523.



**The outputs and outcomes**

By the close of the financial year loan uptake was 100% as staff members have made applications to the committee for loans. The provision of these loan facilities at a low interest rate has enabled members of staff to move efficiently within the County, live in constructed good homes and hence they are well motivated to effectively perform their duties in the assembly.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**The implementation challenges.**

The main challenge faced during implementation of repayment of car and mortgage loans during the period under review was the delayed release of funds by the NT to the CAE which subsequently leads to delay in repayment of staff car and mortgage loans by one or two installments.

The seed capital of ksh 10 million is not enough to give out loans to the members and more is required to be budgeted for this fund to cater for the staff applications which are pending

I take this opportunity to thank County Assembly of Embu mortgage and car loan fund committee for their support during the period under review and look forward to working with them in future.

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

CPA Josiah Karanja

Fund Administrator

ICPAK No. 8494

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

**7. Statement Of Performance Against County Fund's Predetermined Objectives**

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

The key development objectives of the County Assembly of Embu (Staff) Mortgage and Car Loan fund are to

- a) Provide cheap Car loans to members of staff to enable purchase of vehicles for to ease their movement at 3% PA
- b) Provide Mortgage loans to members at subsidized rates of 3% PA

**Progress on attainment of Strategic development objectives**

The County Assembly has achieved its strategic development objective to provide mortgage and car loans at 3% to members of staff. The total amount disbursed initially was Kshs. 9,600,000.

This has facilitated staff in acquiring cars and construction of houses thus improving their welfare. This has also motivated the staff of the County Assembly to work for improved service delivery in discharging their duties.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loans	To facilitate Members of staff of the County Assembly acquire motor vehicles at low interest rates	1 member of staff successfully applied and accessed the Car loan	100% of the budgeted amount has been taken up by the staff in loans	In the Financial year 2022/2023 1 member of staff accessed the loan and was able to acquire a vehicle

**County Assembly of Embu Car Loan and Mortgage(Staff) scheme Fund**  
**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

Mortgages	To support the members of staff acquire cheap loans for construction of houses descent houses	3 members applied and accessed their mortgages	100% of allocated funds have already been taken up by the staff who applied.	By the end of financial year 2022/2023 the 3 members of staff continued to repay their mortgage loans without a
-----------	---	--	--	---

## **8. Corporate Governance Statement**

The County Assembly of Embu Car & Mortgage (Staff) Scheme Fund is a revolving fund established pursuant to Section 116 of the PFM Act and operationalized by Public Finance Management (County Assembly of Embu) (Staff) Car Loan and Mortgage Scheme Fund) Regulations, 2019.

Its mandate is to provide mortgage and car loans to staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements.

### **Number of fund administration committee meetings held and the attendance to those meetings by members.**

The Committee held 8 meetings as at the 30<sup>th</sup> June 2023. Almost all the committee members attended the meetings.

### **Succession plan,**

The board of trustee is composed of all the heads of directorates in the CA. The FA is also a director in the CAE. Therefore, succession planning has already been taken into consideration as the staff immediately below the directors are able to take up those roles in case of an exit of any member.

### **Existence of a Board/Trustee Charter,**

Currently the fund has not developed a service charter.

### **Process of appointment and removal of trustees.**

The appointment of the trustees is clearly spelt out in Section 6 of the Public Finance Management (County Assembly of Embu) (Staff) Car Loan and Mortgage Scheme Fund) Regulations, 2019. The same is conveyed to the directors by the accounting officer in writing. Removal only happens upon exit of employment.

### **Roles and functions of the Board/Trustees.**

The roles and functions of the trustees are clearly spelt out in section 6 of the Public Finance Management (County Assembly of Embu) (Staff) Car Loan and Mortgage Scheme Fund) Regulations, 2019 and are:

- inform the CABB on the funding requirements of the fund; and
- process applications for loans in accordance with the existing terms and conditions of borrowing.

*County Assembly of Embu Car Loan and Mortgage(Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**Induction and training.**

The Fund committee are usually inducted on their roles, duties and responsibilities at the start of their term in office. However, a continuous training will be necessary in future.

**Board and member performance,**

The board has performed as is expected and achieved its goals of administering car loan and mortgages to members of staff and ensuring monthly repayments of the loans.

**Conflict of Interest,**

Board of trustee members are advised to declare interest they may have and that could affect their performance in the board.

**Board/Trustee Remuneration,**

The fund administration Committee members are paid sitting allowances as per salaries and remuneration commission (SRC) approved rates.

**Ethics and conduct as well as governance audit.**

The fund has not undertaken any ethics or governance audit in the period under review

**9. Management Discussion and Analysis**

**a) Operational performance and financial performance**

The fund became operational in the month of November 2022 meaning that this is its financial year of operations. This means the fund has been operational for a period of 8 months since inception.

Therefore there is no any historical data in the last financial year which can be used to compare the performance of the fund with the current period.

The fund kicked its operations in sound management background and all its activities have been going according to the management plan

**b) Entities key projects or investment decisions implemented**

The management did not make any investment decisions on investment of the funds as this is a staff revolving fund. The principal activity of the fund is to advance loans to members of staff as per the PFM Regulations 2019.

The fund did not have any projects undertaken in the year of reporting.

**c) Funds compliance with statutory requirements**

The fund complied with all laws and circulars necessary for implementation of the car loan and mortgage scheme

No issues of non-compliance were noticed or brought to the attention of the management

**d) Major risks facing the fund**

The biggest risk is the delay in release of funds by the NT. This has led to monthly deductions being paid late for a period of two months. This affects the cashflow position of the fund and issuing of new loans to applicants

**e) Material arrears in statutory and other financial obligations**

The fund did not have any arrears in statutory deductions. The only financial obligation outstanding is the unpaid insurance deductions which are awaiting finalization of the procurement of an insurance provider.

**f) Any other information**

No issues have arisen in the course of the management of the fund which have been brought to the attention of the management committee

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**10. Environmental and Sustainability Reporting**

**1. Sustainability strategy and profile**

To ensure sustainability of the fund the board of trustees jointly with key management staff ensure the mortgage loans are timely issued, repaid and key governance responsibilities are adhered to. The fund is well funded and is utilized for the purpose intended for i.e. extend Car & mortgage to members.

**2. Environmental performance.**

The fund has no environmental policy but uses the already existing environmental laws her operations

**3. Employee welfare**

The fund utilizes the staff of the County Assembly for performance of its duties. The welfare, appraisals and rewards are undertaken by county Assembly Service Board (CASB).

**4. Market place practices**

The fund utilizes the facilities and resources of the County Assembly of Embu.

**a) Responsible competition practice.**

The County Assembly of Embu Car Loan mortgage Fund ensures responsible competition practices by ensuring any loan application is processed on a first come and first out basis to ensure every application is given fair preference.

**b) Responsible Supply chain and supplier relations**

The fund relies on County Assembly of Embu for all her supply needs.

**c) Responsible marketing and advertisement**

The fund relies on County Assembly of Embu for all its marketing and advertisement where necessary

**d) Product stewardship.**

The fund relies on the approved regulations to manage her operations where the member's rights and obligations are well spelt out.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

**5. Corporate Social Responsibility/Community Engagements.**

Since the fund is still young in terms of the number of years in operation, it has not yet started community engagements.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**11. Report of the Trustees**

The Trustees submit their report together with the Financial Statements for the year ended June 30, 2023, which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to provide Car and Mortgage Loans to members of the County Assembly.

**Results**


The performance of the Fund for the year ended June 30, 2023, are as set out on page 1 to 5

**Trustees**

The Board of Trustees was appointed on 12<sup>th</sup> September 2022. They have been in office for 10 months

**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. For the year ended 30<sup>th</sup> June, 2023 the Office of the Auditor General through the Eastern Hub shall conduct the Audit of the of the reports and the financial statements of the fund

  
.....  
Jim G. Kauma

Chair of the Board

Date: 8/11/23 .....

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

**12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Fund Administrator of a fund established pursuant to Section 116 of the Public Finance Management Act is required to prepare an annual report and financial statements for a period ending 30<sup>th</sup> June of each year.

The Administrator who is the Director Finance and Accounting Services in the County Assembly 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, 2023. 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. Applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Administrator accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 167 of the Public Finance Management Act (PFMA). 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, 2023, 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.

***County Assembly of Embu Car Loan and Mortgage(Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023***

---

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on .....02/11/.....2023 and signed on its behalf

by:



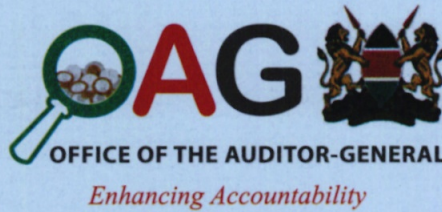
Name: CPA Josiah Karanja

Administrator of the County Assembly of Embu

Staff Mortgage and Car Loan Fund

# REPUBLIC OF KENYA

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



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (STAFF) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023**

---

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of County Assembly of Embu Car Loan and Mortgage (Staff) Scheme Fund set out on pages 1 to 20, which comprise of the

---

*Report of the Auditor-General on County Assembly of Embu Car Loan and Mortgage (Staff) Scheme Fund for the year ended 30 June, 2023*

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Embu Car Loan and Mortgage (Staff) Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Staff) Scheme Fund Regulations, 2020.

### **Basis for Qualified Opinion**

#### **1. Sustainability of the Fund and Lack of Security for Loans Issued**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects use of goods and services amount of Kshs.10,002,240 which includes loans issued to four (4) staff of Kshs.9,600,000. However, the ownership documents provided as the collateral/security for the loans were not jointly owned between the County Assembly Service Board and the staff contrary to Section 12(2) of the Public Finance Management (County Assembly of Embu) (Staff) Car Loan and Mortgage Scheme Fund Regulations, 2020 which states that in case of car loan, the log book of a vehicle subject to a loan from the Fund shall be issued jointly between the Board and the member of the Scheme and shall be kept in the custody of the Officer Administering the Fund until the loan is repaid in full by the member of the Scheme and Section 12(3) of the same Regulation which states that in case of a mortgage facility, the Board shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

Further, it was noted that the loan beneficiaries were also the Trustees/Committee of the Fund which exposes the Fund to loss of funds due to lack of collateral for the loans taken in the event they fail to repay as they are also the ones expected to enforce compliance with the law. The Fund Management Committee may not therefore be entrusted in running the Fund due to non-implementation of the Funds policies where their loans are involved.

In the circumstances, the sustainability of the Fund could not be confirmed in the absence of loan collaterals. In addition, the Management Committee was in breach of the law.

## **2. Unsupported Statement of Comparison of Budget and Actual Amounts and Lack of Approved Budget**

The statement of comparison of budget and actual amounts reflects original and final receipt and expenditure budget of Kshs.10,300,000 each which were not supported with approved budget. This is contrary to Section 129(3) and (4) of the Public Finance Management Act, 2012 which states that each county assembly clerk shall prepare and submit to the county assembly the budget estimates for the county assembly and a copy shall be submitted to the County Executive Committee Member for Finance and the County Executive Committee Member for Finance shall prepare and present his or her comments on the budget estimates presented by the county assembly clerk.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed. In addition, the Management Committee was in breach of the law.

## **3. Incorrectly Deposited IPPD Payroll Bank Loan Recovery**

The statement of financial position and as disclosed in Note 7 to the financial statements reflects accounts payables balance of Kshs.2,998,332 which includes Kshs.598,332 relating to incorrectly deposited bank loans recovered from thirteen (13) staff deposited at the Fund's Family Bank account. According to IPPD bank loan recovery by product report the bank loan recovery of Kshs.598,332 was done in September, 2022 but had not been remitted to the correct Family Bank account as at 30 June, 2023 to update staff loan repayments.

No satisfactory explanation was offered by the Management Committee for failure or delay to submit bank loan recovery promptly from the County Assembly which may affect the thirteen (13) staff adversely. Further, the delay for nine months to submit the bank loan recovery exposes staff to penalties and interest.

In the circumstances, the accuracy and propriety of the accounts payables could not be confirmed. In addition, the Management Committee was in breach of the law.

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

### **Key Audit Matters**

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

# 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. Failure to Insure Vehicles and Land Acquired**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects use of goods and services amount of Kshs.10,002,240 which includes loans issued to four staff of Kshs.9,600,000. However, no documents were provided to proof whether vehicles and parcels of land acquired were insured with insurance companies approved by the Committee. This was contrary to Section 16 (1)(a) and (b) of the Public Finance Management (County Assembly of Embu)(Staff) Car Loan and Mortgage Scheme Fund Regulations, 2020 which states that a member of the Scheme shall in case of a car loan, comprehensively insure the vehicle purchased through the Scheme with an insurer approved by the Committee and in case of a mortgage facility, take out and maintain a mortgage protection policy with an insurance firm approved by the committee.

In the circumstances, Management Committee was in breach of the law.

### **2. Undetermined Value for a Car and Land**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects use of goods and services amount of Kshs.10,002,240 which includes loans issued to four staff of Kshs.9,600,000. However, no invoice or valuation report to show the value of the car or land acquired was provided contrary to Section 13(2) and (3) of the Public Finance Management (County Assembly of Embu) (Staff) Car Loan and Mortgage Scheme Fund) Regulations, 2020 which states that the value of new vehicle and house shall be as quoted on the invoice from the supplier whereas the value of a used vehicle shall be as determined by a report from a body known as Automobile Association of Kenya or Government department dealing with such matters or any valuer as may be approved by the Committee and that notwithstanding the provisions of paragraph (1), there may be advanced from the Fund to a member of the Scheme an additional loan not exceeding ten percent of the value of the vehicle purchased by a member of the scheme to cater for an overhaul of the engine of the vehicle.

In the circumstances, Management Committee was in breach of the law.

### **3. Delay in Remittance of Car Loan and Mortgage Scheme Fund Recoveries**

The statement of financial position and as disclosed in Note 5 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.2,279,818 which includes unremitted deductions for May and June, 2023 of Kshs.139,909 and Kshs.139,909 respectively. Further, audit verification carried out revealed delay in remittance of deductions made during the year of Kshs.705,344 contrary to Section 19(4) of Employment Act, 2007 which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be. Satisfactory explanation was not provided for delay in remitting the deductions.

In the circumstances, Management Committee 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 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**

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of 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 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal controls 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 controls 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 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

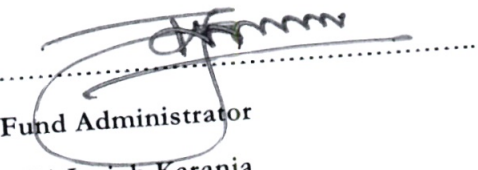
**29 January, 2024**

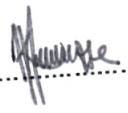
County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023

14. Statement of Financial Performance for the Year ended 30<sup>th</sup> June 2023

Description	Notes	2022-2023
		Kshs
<b>REVENUE</b>		
Transfer from Exchequer	1	10,000,000
Interest Income	2	172,763
Other Incomes		10,172,763
<b>TOTAL REVENUE</b>		
<b>EXPENSES</b>		
Use of goods and services	3	10,002,240
<b>TOTAL EXPENSES</b>		10,002,240
<b>SURPLUS/DEFICIT</b>		170,523

The explanatory notes to these financial statements form an integral part of the financial statements.  
The financial statements were approved on 02/11/2023 and signed by:


  
Fund Administrator  
CPA Josiah Karanja  
Director Finance and Accounts  
ICPAK No. 8494


  
Fund Accountant  
CPA Kamau Wachiuri  
Principal Finance Officer  
ICPAK No. 8192

County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023

15. Statement of Financial Position as at 30th June 2023

Description	NOTE	2022-2023
		Kshs
<b>CURRENT ASSETS</b>		
<b>Cash and Cash Equivalents</b>		
Bank Balances	4	1,736,210
Current Portion of receivables from exchange	5	2,279,818
<b>TOTAL CURRENT ASSETS</b>		<b>4,016,028</b>
<b>NON CURRENT ASSETS</b>		
Long term receivables from exchange transactions	6	9,152,827
<b>TOTAL NON CURRENT ASSETS</b>		<b>9,152,827</b>
<b>TOTAL ASSETS</b>		<b>13,168,855</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payables – Deposits and Retention	7	2,998,332
<b>Total</b>		<b>2,998,332</b>
<b>TOTAL ASSETS</b>		<b>10,170,523</b>
<b>REPRESENTED BY</b>		
Revolving Fund	8	10,000,000
Accumulated Surplus/Deficit	9	170,523
Prior Year Adjustments		
<b>NET FINANCIAL POSITION</b>		<b>10,170,523</b>
The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on <u>02/11/2023</u> and signed by:		

  
 Fund Administrator  
 CPA Josiah Karanja  
 Director Finance and Accounts  
 ICPAK No. 8494

  
 Fund Accountant  
 CPA Kamau Wachiuri  
 Principal Finance Officer  
 ICPAK No. 8192

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

16. Statement of Changes in Net Assets for the year ended 30th June 2023

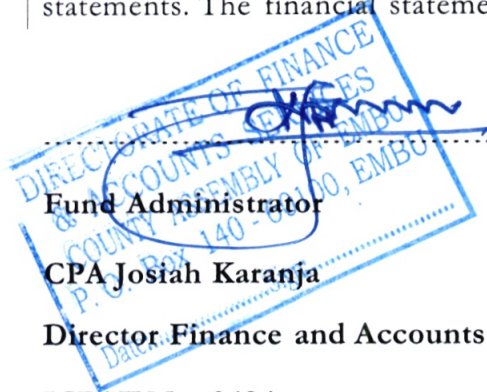
Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2022	-			-
Surplus/(deficit) for the period			170,523	170,523
Funds Received During the Year	10,000,000			10,000,000
Tranfers				
Revaluation Gain				-
Balance as at 30th June 2023	10,000,000	-	170,523	10,170,523

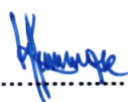
*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

17. Statement of Cash Flows for the year ended 30th June 2023

Description	NOTE	2022-2023
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Interest Income Received		172,763
Transfers from CRF		10,000,000
<b>Total Receipts</b>		<b>10,172,763</b>
<b>Payments</b>		
Loans Issued		9,600,000
Bank Charges		2,240
Insurance		400,000
<b>Total Payments</b>		<b>10,002,240</b>
<b>Cashflows from Operating activities</b>		<b>170,523</b>
<b>Adjusted for:</b>		
Increase in Receivables		(2,279,818)
Increase/(Decrease) in Payables		2,998,332
<b>Net Cashflows from operating Activities</b>		<b>889,037</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Disbursed Loans		
Proceeds from Loan Principal Repayments		847,173
<b>Net cash flows from Investing Activities</b>		<b>847,173</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>		
Refunds of Car Grant		
<b>Net Cashflows from financing activities</b>		
Adjustments		
<b>NET INCREASE (DECREASE) IN CASH AND</b>		<b>1,736,210</b>
<b>Cash and cash equivalent at BEGINNING of the</b>		<b>-</b>
<b>Cash and cash equivalent at END of the year</b>		<b>1,736,210</b>

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 02/11 2023 and signed by:

  
Fund Administrator  
CPA Josiah Karanja  
Director Finance and Accounts  
ICPAK No. 8494

  
Fund Accountant  
CPA Kamau Wachiuri  
Principal Finance Officer  
ICPAK No. 8192

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

18. Statement of Comparison of Budget and Actual Amounts for the period

Description	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from the County Treasury	10,000,000		10,000,000	8,000,000	2,000,000	80
Interest Income	300,000		300,000	172,763	127,237	58
Other Income (Transfer from Members Fund)	-		-	2,000,000	(2,000,000)	
<b>Total Income</b>	<b>10,300,000</b>		<b>10,300,000</b>	<b>10,172,763</b>	<b>127,237</b>	<b>99</b>
<b>Expenses</b>						
Fund Administration Expenses	700,000		700,000	402,240	297,760	57
General Expenses	9,600,000		9,600,000	9,600,000	-	100
Finance Cost	-		-	-	-	
<b>Total Expenditure</b>	<b>10,300,000</b>		<b>10,300,000</b>	<b>10,002,240</b>	<b>297,760</b>	<b>97</b>
<b>Surplus For the Period</b>	<b>-</b>		<b>-</b>	<b>170,523</b>	<b>(170,523)</b>	

*Budget Notes*

- a) *The under realization of the Interest income was because of the fact that the fund did not receive all disbursement from CRF*
- b) *The under-utilization in Fund Administration Expenses was due to the fact that there were no many committee sittings as earlier anticipated*

## **19. Notes to Financial Statements**

### **1. General Information**

The county assembly of Embu car loan and mortgage scheme is established by and derives its authority and accountability from Section 116 of the PFM Act 2012 and the County Assembly of Embu Car Loan and Mortgage (Staff) scheme Regulations. The scheme is wholly owned by the County Assembly of Embu and is domiciled in Kenya. The schemes principal activity is lending Car loans and Mortgages to staff of the County Assembly of Embu to facilitate them deliver on their mandates

### **2. 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.

### **3. Adoption of new and revised standards**

#### **(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

#### **(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2023**

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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.</p>

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund**

**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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>
---	--

<b>Standard</b>	<b>Effective date and impact:</b>
	<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><b>Applicable 1<sup>st</sup> January 2023</b></p> <p><i>. IPSAS 22 Disclosure of Financial Information about the General Government sector</i></p> <p>Amendments to refer to the latest System of National Accounts (SNA 2008)</p> <p><i>.IPSAS 39: Employee Benefits</i></p> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p><b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**4 SIGNIFICANT ACCOUNTING POLICIES**

**a) 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.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

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.

**b) Budget information**

The original budget for FY 2022-2023 was approved by the County Assembly on July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of zero amounts on the FY 2022-2023 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 actual as per the statement of financial performance has been presented under section 17 of these financial statements.

**c) 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

***County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund***  
***Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023***

---

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.

**d) 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.

**e) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the fund's financial statements.*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund**  
**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

---

the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**f) 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:

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund*  
*Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

- 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.

**g) 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.

**h) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

***County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund***  
***Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023***

**i. 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.

**ii. 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.

**j) 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.

**i) 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.

***County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund***  
***Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023***

---

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.

**l) 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.

**m) 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

**n) 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.

**o) Comparative figures**

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

The fund did not have comparative figures for the previous year.

**5. 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.

**a) 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.

**b) 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

**c) 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.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund*  
*Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

---

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. In the Financial year ending 30<sup>th</sup> June 2023 the Assembly made no provisions.

*County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023*

6. Notes to the Financial Statements

1. Transfer from Exchequer

Description		2022/23
		Kshs.
Transfer from Exchequer		10,000,000
<b>Total</b>		<b>10,000,000</b>

2. Interest Income

Description		2022-2023
Date		Kshs.
Nov	Interest Income	20,000
Dec	Interest Income	19,742
Jan	Interest Income	19,483
Feb	Interest Income	19,223
Mar	Interest Income	23,963
Apr	Interest Income	23,714
May	Interest Income	23,465
Jun	Interest Income	23,174
<b>Total</b>		<b>172,763</b>

3. Use of Goods and Services

Description		2022-2023
Details		Kshs.
Loans Issued		9,600,000
Bank Charges		2,240
Insurance on Loans		400,000
<b>TOTAL</b>		<b>10,002,240</b>

4. Cash and Cash Equivalent

Description		2022-2023
Date	Details	Kshs.
<b>Name of Bank, Account Number</b>		
	<i>Family Bank - Car and Mortgage Staff Account - 075000054114</i>	174,083
	<i>Winas SACCO - Car and Mortgage Staff Account - 51100012901</i>	1,562,127
<b>Total</b>		<b>1,736,210</b>

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund  
Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

**5. Receivables**

		2022-2023
	Date	Details
		Kshs
	May Remittances	139,909
	June Remittance	139,909
	Unremitted Transfers from CRF	2,000,000
	<b>Total</b>	<b>2,279,818</b>

**6. Long Term Receivables from Exchange Transactions**

		2022-2023
	NAME	Kshs
1	Jim G Kauma	2,692,673
2	James Munyi Ireri	2,337,043
3	Moses Muchangi Karagirwa	2,136,189
4	Josiah Karanja	1,986,922
	<b>Total</b>	<b>9,152,827</b>

**7. Accounts Payable**

		2022-2023
	Description	Kshs
	Accrued Insurance Charges	400,000
	Members Scheme Remittance	598,332
	Members Scheme Fund	2,000,000
	<b>Total</b>	<b>2,998,332</b>

**8. Revolving Fund/ Fund Balance**

		2022-2023
	Description	Kshs
	Transfer from Exchequer	8,000,000
	Accrued amount from CRF	2,000,000
	<b>Total</b>	<b>10,000,00</b>

**County Assembly of Embu Car Loan and Mortgage (Staff) scheme Fund**  
**Annual Report and Financial Statements for year ended 30<sup>th</sup> June, 2023**

**9. Accumulated surplus/Deficit**

Description	2022-2023 Kshs
Surplus /Deficit B/f	-
Surplus /Deficit for the period	170,523
<b>Surplus /Deficit c/d</b>	<b>170,523</b>

**10. Related Party Balances**

**a) Related party Transactions**

Description	2022-2023	Insert Comparative FY
	Kshs	Kshs
Transfers from Members' Fund	2,000,000	-
Transfers from CRF	8,000,000	-
<b>Total</b>	<b>10,000,000</b>	<b>-</b>

**b) Due from Related Parties**

Description	2022-2023	Insert Comparative FY
	Kshs	Kshs
Due from CRF	2,000,000	-
<b>Total</b>	<b>2,000,000</b>	<b>-</b>

**c) Due to Related Parties**

Description	2022-2023	Insert Comparative FY
	Kshs	Kshs
Due to Members' Fund	2,000,000	-
<b>Total</b>	<b>2,000,000</b>	<b>-</b>

**21. Progress on Follow up of the Prior Year Auditor's Recommendations**

This is the first time the fund has not been audited by OAG since its establishment in September 2022, therefore no prior year recommendations from the OAG.

**CPA Josiah Karanja**  
**Fund Administrator**  
**County Assembly Car Loan and Mortgage (Staff) Scheme Fund**