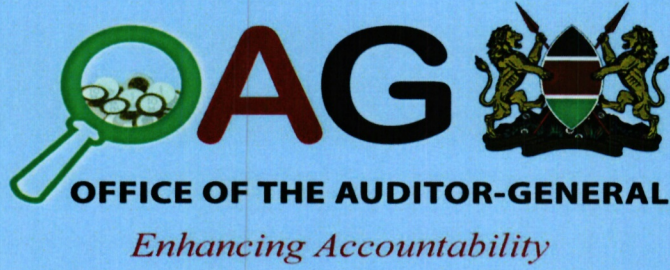


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**REPORT**



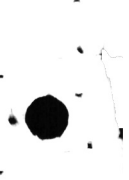
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2016**





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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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**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, 2016**

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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 Fund was established under County Government of Nakuru Car Loan (Members) Scheme Fund Regulations of 2014 and County Government of Nakuru Mortgage (Members) 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**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
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, 2016**

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**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](mailto:clerkassembly@nakurucounty.go.ke)  
Website: [www.nakurucounty.org.ke](http://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

**g) Independent Auditors**

Office of The Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 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 2015-2016, the Assembly budgeted KES 80M as the additional funding to the Car Loan and Mortgage scheme. The Assembly received KES 50M for the period which represented 63% of the overall budgeted amount. The Assembly managed to disburse KES 24M to Members of Staff and loan repayments in the period was slightly above KES 72Million.

**County Assembly of Nakuru Car Loan and Mortgage Fund  
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For the year ended June 30, 2016**

**3. MANAGEMENT TEAM**


	<b>Name</b>	<b>Details of qualifications and experience</b>
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 Fund is doing the third year running and the Assembly had budgeted eighty million Kenyan shillings in the period ended 30<sup>th</sup> June, 2016. The additional funding was to cover Members of Staff after all the Members had been catered for.

The Assembly got KES 50M of the budgeted amount from the Treasury representing 63%. At the close of the year in 30<sup>th</sup> June, 2016; the fund had disbursed KES 24M to Members of Staff while repayments stood at KES 72M.

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 12/02/2021

**Joseph M. Malinda**

**County Assembly of Nakuru Car Loan and Mortgage Fund  
Reports and Financial Statements  
For the year ended June 30, 2016**

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**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 Nakuru County Assembly Car Loan and Mortgage scheme 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 Nakuru 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, 2016. 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 Nakuru 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, 2016, 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 Nakuru 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: -

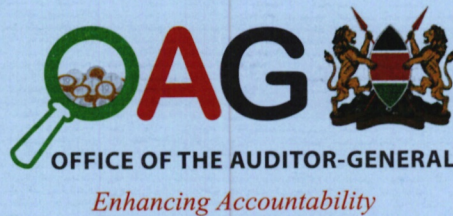


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**Fund Administrator.**

# 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 NAKURU CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2016**

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### 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 23, which comprise the statement of financial position as at 30 June, 2016, 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 period 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**

The financial statements availed 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 errors: -

- 2.1. Key entity information on page iii refers to Independent auditors postal code "GOP 00100" instead of "GPO 00100";
- 2.2. 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;
- 2.3. The statement of cash flows has not indicated notes to financial statements for interest received, proceeds from loan principal repayments and loan disbursements;
- 2.4. The summary of significant accounting policies on page 14, paragraph on comparative figures erroneously indicate "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 Public Sector Accounting Standards Board Kenya guidelines and format.

## **3. Over-Stated Interest Income**

The statement of financial performance for the year ended 30 June, 2016 reflects interest income Kshs.3,814,261 (2015 – Kshs.1,063,597) as disclosed under Note 2 of the financial statements. However, the interest income computation was based on monthly cumulative payments at a rate of four percent (4%). This 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 (3%) 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 (3%) 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 Kshs.3,814,261 for the year ended 30 June, 2016 could not be confirmed.

## **4. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.218,793,031;(2015-Kshs.117,992,248) and as disclosed under Note 5 to the financial statements. The following unsatisfactory matters were noted;

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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, 2016*

#### **4.1. Unreconciled Balances**

The cashbook reflects Kshs.216,079,263 resulting to unreconciled nor explained variance of Kshs.2,713,758. Also, the certificate of bank balance reflects balance of Kshs.320,000,000 as at 20 June, 2016 which is equivalent to revolving fund balance implying that funds were not disbursed. In addition, the bank reconciliation statement indicates unrepresented cheques of Kshs.103,921,067 explained to be outstanding loan balances which is not a reconciling item and also did not indicate the cheque numbers or clearance dates.

#### **4.2. Unresolved Prior Year Issues**

Further, and as reported in the year ended 30 June, 2015 the certificate of bank balance indicates Kshs.269,999,700 while the revolving fund balance is Kshs.270,000,000 implying that funds were not disbursed. In addition, the bank reconciliation statement indicates unrepresented cheques of Kshs.152,007,752 explained to be outstanding loan balances which is not a reconciling item and also did not indicate the cheque numbers or clearance dates.

Under the circumstances, the accuracy and completeness of cash and bank balance of Kshs.218,793,031 as at 30 June, 2016 could not be confirmed.

#### **5. Unsupported Loan Repayments**

The statement of cash flows for the year ended 30 June, 2016 reflects proceeds from loan principal repayments of Kshs.72,395,016 (2015 – Kshs.57,832,248). However, the loan repayments were not supported by bank statements as evidence of receipts of deductions made in the payrolls. In addition, the last year repayment of Kshs.57,832,248 reflected in the cash flow as comparative figure was also not supported with a schedule.

Under the circumstances, the accuracy and completeness of proceeds from loan principal repayments of Kshs.72,395,016 for the year ended 30 June, 2016 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.

# 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 Government) 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 risk management, development of strategies and controls may not have been implemented in an orderly manner.

### **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 intention to liquidate 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 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 the County Assembly of Nakuru Car Loan and Mortgage Fund 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 County Assembly of Nakuru Car Loan and Mortgage 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**

**01 December, 2021**

*County Assembly of Nakuru Car Loan and Mortgage Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**7. FINANCIAL STATEMENTS**

**7.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**


	Note	2015/2016	2014/2015
		KES	KES
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	
Fines, penalties and other levies		-	-
<b>Revenue from exchange transactions</b>			
Interest income	2	3,814,261	1,063,597
Other income		-	-
		-	-
<b>Total revenue</b>		<b>3,814,261</b>	<b>1,063,597</b>
<b>Expenses</b>			
Fund administration expenses	3	953,565	265,899
General expenses	4	330	-
Finance costs			-
<b>Total expenses</b>		<b>953,895</b>	<b>265,899</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets			
<b>Surplus/(deficit) for the period</b>		<b>2,860,366</b>	<b>797,698</b>


County Assembly of Nakuru Car Loan and Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2016

7.2. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2016

	Note	2015/2016 KES	2014/2015 KES
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	218,793,031	117,992,248
Current portion of long- term receivables from exchange transactions	6	81,532,889	73,491,809
Prepayments		-	-
Inventories		-	-
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions	6	23,582,318	79,563,816
<b>Total assets</b>		<b>323,908,239</b>	<b>271,047,873</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>			
Revolving Fund		320,000,000	270,000,000
Reserves		-	-
Accumulated surplus		3,908,239	1,047,873
<b>Total net assets and liabilities</b>		<b>323,908,239</b>	<b>271,047,873</b>

The County Assembly of Nakuru Car Loan and Mortgage Scheme Fund financial statements were approved on 21/02 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*  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**7.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2016**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>
<b>Balance as at 1 July 2014</b>	<b>150,000,000</b>	<b>-</b>	<b>250,175</b>	<b>150,250,175</b>
Surplus/(deficit) for the period		-	797,698	797,698
Funds received during the year	120,000,000	-		120,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>270,000,000</b>	<b>-</b>	<b>1,047,873</b>	<b>271,047,873</b>
<b>Balance as at 1 July 2015</b>	<b>270,000,000</b>	<b>-</b>	<b>1,047,873</b>	<b>271,047,873</b>
Surplus/(deficit) for the period	-	-	2,860,366	2,860,366
Funds received during the year	50,000,000	-		50,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2016</b>	<b>320,000,000</b>	<b>-</b>	<b>3,908,239</b>	<b>323,908,239</b>

**County Assembly of Nakuru Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

**7.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

	Note	2015/2016	2014/2015
		KES	KES
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government	1	50,000,000	120,000,000
Interest received		2,714,098	-
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>52,714,098</b>	<b>120,000,000</b>
<b>Payments</b>			
Fund administration expenses		-	-
General expenses	4	330	-
Finance cost		-	-
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		-	
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	
<b>Net cash flows from operating activities</b>		<b>52,713,768</b>	<b>120,000,000</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	
Proceeds from sale of property, plant and equipment		-	
Proceeds from loan principal repayments		72,395,016	57,832,248
Loan disbursements paid out		(24,308,000)	- 70,840,000
<b>Net cash flows used in investing activities</b>		<b>48,087,016</b>	<b>(13,007,752)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	
Additional borrowings		-	
Repayment of borrowings		-	

**County Assembly of Nakuru Car Loan and Mortgage Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2016**

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<b>Net cash flows used in financing activities</b>		<b>-</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>100,800,783</b>	<b>106,992,248</b>
Cash and cash equivalents at 1 JULY	5	117,992,248	11,000,000
<b>Cash and cash equivalents at 30 JUNE</b>		<b>218,793,031</b>	<b>117,992,248</b>

County Assembly of Nakuru Car Loan and Mortgage Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2016

7.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
 THE PERIOD ENDED 30<sup>TH</sup> JUNE 2016

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% utilization
	2015-16	2015-16	2015-16	2015-16	2015-16	2015-16
<b>Revenue</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	<b>KES</b>	
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	80,000,000	-	80,000,000	50,000,000	30,000,000	63%
Interest income	-	-	-	3,814,261	(3,814,261)	
Other income	-	-	-	-	-	
<b>Total income</b>	<b>80,000,000</b>	<b>-</b>	<b>80,000,000</b>	<b>53,814,261</b>	<b>26,185,739</b>	<b>67%</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	953,565	953,565	
General expenses	-	-	-	-	-	
Finance cost	-	-	-	330	330	
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>953,895</b>	<b>953,895</b>	
<b>Surplus for the period</b>	<b>80,000,000</b>	<b>-</b>	<b>80,000,000</b>	<b>52,860,366</b>	<b>27,139,634</b>	<b>66%</b>

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**7.6. 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 30 June 2016**

Standard	Effective date and impact:
<p><b>IPSAS 40:</b>  Public Sector Combinations</p>	<p><b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p>
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> 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 a 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:</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> </ul>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a 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.</li> </ul>
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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> <p>(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><b>Applicable: 1<sup>st</sup> January 2022:</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> <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>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>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</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p>

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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 was 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 2016.

**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 2015/2016 was approved by the County Assembly on 1<sup>st</sup> July, 2015.

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 7.5 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 a 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 a 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 a 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).

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**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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**7.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	2015/2016	2014/2015
	KES	KES
Transfers from County Govt. – operations	50,000,000	120,000,000
Payments by County on behalf of the County Assembly of Nakuru Car Loan and Mortgage Scheme Fund	-	-
<b>Total</b>	<b>50,000,000</b>	<b>120,000,000</b>

**2. Interest income**

Description	2015/2016	2014/2015
	KES	KES
Interest income from Car & Mortgage Loans	3,814,261	1,063,597
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	<b>3,814,261</b>	<b>1,063,597</b>

**3. Fund administration expenses**

Description	2015/2016	2014/2015
	KES	KES
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	953,565	265,899
Administration fees	-	-
<b>Total</b>	<b>953,565</b>	<b>265,899</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. General expenses**

Description	2015/2016	2014/2015
	KES	KES
Bank Charges	330	-
Other expenses	-	-
<b>Total</b>	<b>330</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Cash and cash equivalents**

<b>Description</b>	<b>2015/2016</b>	<b>2014/2015</b>
	<b>KES</b>	<b>KES</b>
Car Loan and Mortgage Fund Account-Family Bank	216,079,263	117,992,248
Interest Account	2,713,768	
Current account	-	
Others	-	
<b>Total cash and cash equivalents</b>	<b>218,793,031</b>	<b>117,992,248</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

Financial institution	Account number	2015-2016	2014-2015
		KES	KES
<b>a) Fixed deposits account</b>			
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
<b>CAR LOAN AND MORTGAGE - FAMILY BANK</b>	18000055807	216,079,263	117,992,248
<b>INTEREST ACCOUNT - FAMILY BANK</b>	18000067410	2,713,768	
<b>PRINCIPAL ACCOUNT - FAMILY BANK</b>	18000073215		
<b>REMMITANCE ACCOUNT - FAMILY BANK</b>	1800073217		
<b>Sub- total</b>		<b>218,793,031</b>	<b>117,992,248</b>
<b>Sub- total</b>		<b>218,793,031</b>	<b>117,992,248</b>
<b>Grand total</b>		<b>218,793,031</b>	<b>117,992,248</b>

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**6. Receivables from exchange transactions**

Description	2014/2016	2014/2015
	KES	KES
<b>Current Receivables</b>		
Interest receivable	1,194,141	1,047,873
Current loan repayments due	80,338,748	72,443,936
Other exchange debtors		
Less: impairment allowance		
<b>Total Current receivables</b>	<b>81,532,889</b>	<b>73,491,809</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	23,582,318	79,563,816
<b>Total Non- current receivables</b>	<b>23,582,318</b>	<b>79,563,816</b>
<b>Total receivables from exchange transactions</b>	<b>105,115,207</b>	<b>153,055,625</b>

**Additional disclosure on interest receivable**

Description	2015/2016	2014/2015
	KES	KES
<b>Interest receivable</b>		
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		
<b>Current loan repayments due</b>		
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		

**7. Revenue from Non-Exchange transaction**

Description	2015/2016	2014/2015
	KES	KES
Transfer to County Executive		
Transfer to Car Loan and Mortgage Fund		
<b>Total receivables from non-exchange transactions</b>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. CHANGES IN RECEIVABLE**

Description of the error	2015/2016	2014/2015
	KES	KES
Account receivable as at 1 <sup>st</sup> 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		

**9. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2015/2016	2014/2015
	KES	KES
Accounts Payable as at 1 <sup>st</sup> 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)**

**10. Cash generated from operations**

	2015/2016	2014/2015
	KES	KES
<b>Surplus/ (deficit) for the year before tax</b>		
<b>Adjusted for:</b>		
Depreciation	-	
Amortisation	-	
Gains/ losses on disposal of assets	-	
Interest income	3,814,261	1,063,597
Finance cost	(953,895)	(265,899)
<b>Working Capital adjustments</b>	-	
Increase in inventory	-	
Increase in receivables	-	
Increase in payables	-	
<b>Net cash flow from operating activities</b>	<b>2,860,366</b>	<b>797,698</b>

**11. 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