

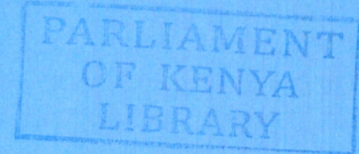
REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	30/5/2023
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COMMITTEE	—
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REPORT



OF

THE AUDITOR-GENERAL

ON

**NAIROBI CITY COUNTY ASSEMBLY CAR
LOAN AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**

THE REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAIROBI



NAIROBI CITY COUNTY ASSEMBLY SERVICE BOARD

CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. Key Entity Information and Management

a) Background information

The Nairobi City County Assembly Car Loan & Mortgage Scheme Fund is established by the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014 and derives its authority and accountability from Section 167 of the Public Finance Management Act 2012. For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund. The Fund is wholly owned by the County Government of Nairobi and is domiciled in Kenya.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car Loan Scheme Fund with the approval of the County Assembly.

The Nairobi City County Assembly Car Loan Scheme Fund is a revolving fund established pursuant to Regulation 3 of the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 as read together with section 116 of the Public Finance Management Act, 2012 and circulars ref SRC/TS/CAF/3/61/49(46) from the Salaries and Remunerations Commission dated 13th December 2017.

The Fund started operations on 1st July 2019 as a single fund administering Car Loan and Mortgage benefits for members and staff of the Nairobi City County Assembly. Prior to this date, the benefits were administered from two different funds namely Nairobi City County Assembly Car Loan Scheme Fund and Nairobi City County Assembly Mortgage Scheme Fund. These two funds were merged with effect from 1st July 2019. The merged Funds operate under the new Regulations namely; The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. These Regulations were gazetted in July 2018 and came into force in Financial Year 2018/2019.

**Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022**

The Clerk of the County Assembly, being the Accounting Officer of the Assembly is the administrator of the fund was established by Regulation 6(1)(g) of Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to purchase vehicles for members and staff of the County Assembly and to purchase, develop, renovate or repair a residential property.

The fund's objective is to:

- a) Purchase vehicles for Members and staff of the County Assembly
- b) Purchase, development, renovation or repair of residential property.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	HON. PETER WANYOIKE	Designated Chairman of the Committee
2	HON. ABDI HASSAN	Majority Leader
3	HON. MICHAEL OGADA	Minority Leader
4	HON. PAUL KADOS	Majority Chief whip
5	HON. PETER IMWATOK	Minority Chief whip
6	HON.GEOFFREY MAJIWA	Deputy speaker
7	HON. MARY NJAMBI	Member
8	HON. BENSON MWANGI	Member
9	HON. WILFRED ODALO	Member
10	MR. BASIL RODGERS OMONDI	Member
11	MR. TITUS MUIRURI	Member
12	MS. CAROLINE KIDAMBA	Member

d) Key Management

Ref	Name	Position
1	Mr. Edward O. Gichana	Clerk Nairobi County Assembly
2	Ms. Pauline Akuku	Deputy Clerk, Administrative Services
3	Mr. Paul W. Kimani	Director Financial Services
4	Mr. Sammy Ndana	Principal Accountant

e) Registered Offices

P.O. Box 45844-00100
City Hall Building
Mama Ngina Street
Nairobi, KENYA

f) Fund Contacts

Telephone: (254) 703027000 0202776000
E-mail: customerservice@co-opbank.co.ke

g) Fund Bankers

Cooperative Bank of Kenya
City Hall Branch
P.O. Box 44805-00200
Nairobi, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
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2. Fund Administration Committee

Ref	Name	Position
1	Hon. Peter Wanyoike	Designated Chairman of the Committee
2	Hon. Abdi Hassan	Majority Leader
3	Hon. Michael Ogada	Minority Leader
4	Hon. Paul Kados	Majority chief whip
5	Hon. Peter Imwatok	Minority Chief whip
6	Hon. Geoffrey Majiwa	Deputy speaker
7	Hon. Mary Njambi	Member
8	Hon. Benson Mwangi	Member
9	Hon. Wilfred Odalo	Member
10	Mr. Basil Rodgers Omondi	Member
11	Mr. Titus Muiruri	Member
12	Ms. Caroline Kidamba	Member
13	Mr. Edward O. Gichana	The Fund Administrator

**Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022**

3. Management Team

Name	Details of qualifications and experience
Mr. Edward O. Gichana	Clerk Nairobi County Assembly (For Q4 FY 2021/2022) Education: MBA Accounts, BCOM Accounts, CPA(K) Year of Birth: 1975
Ms. Pauline Akuku	Deputy Clerk Administrative Service (For Q4 FY 2021/2022) Education: Master's Communication Studies, BA Journalism & Media Studies Year of Birth: 1977
Mr. Paul W. Kimani	Director Financial Services (For Q4 FY 2021/2022) Education: MBA-Strategic Management, BCOM-Finance, CPA(K), (M)CIPS Year of Birth: 1989
Mr. Sammy Ndana	Principal Accountant (For Q1 & 2 FY 2021/2022) Education: BBM-Finance and Banking, CPA(K) Year of Birth: 1979
Mr. Gavin Castro	Ag. Clerk Nairobi County Assembly (For Q3 FY 2021/2022) Education: Master of Laws; Master Political Science; LLB; BA Political Science Year of Birth: 1985
Ms. Adah Onyango	Ag. Clerk Nairobi County Assembly (For Q1 & 2 FY 2021/2022) Education: BA-Sociology and Psychology, Higher Diploma HRM Year of Birth: 1978
Alice Kaoga	Ag. Principal Accountant (For Q3 FY 2021/2022) MBA – Finance Year of Birth: 1976
Mr. Fredrick Macharia	Ag. Principal Finance Officer (For Q1,2 &3 FY 2021/2022) Education: CPA(K) Year of Birth: 1973

4. Fund Administration Committee Chairperson's Report

The Nairobi City County Assembly Car Loan & Mortgage Scheme Fund is a Revolving Fund established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements.

For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund.

In the FY 2021/2022, the performance of the Nairobi City County Assembly Car Loan & Mortgage Scheme Fund has been of steady growth as per the quarterly performance reports prepared during the period. This growth is expected to improve with the coming of new members in the next Assembly. Indeed, plans are underway to refinance the Fund to provide cash resources for the Third Assembly members expected at the end of August 2022 general elections. In the foregoing, the scheme Fund has been a great success having benefited both Members and Staff of the County Assembly.

On behalf of the scheme fund administration committee, I wish to express utmost confidence in the key management team and the secretariat on the role they play in providing professional guidelines and advice to ensure the fund's operational activities are within its core mandate and in particular drive the following key strategic theme;

- Increase uptake of Car loan and mortgage facilities by the members of county assembly and staff.
- Ensure full compliance with the provisions of the Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Regulations 2017.

Signed: _____

HON. PETER WANYOIKE-CHAIPERSON

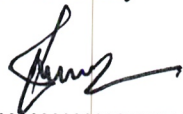
5. Report of The Fund Administrator

Over the years, the Fund has had steady growth due to high demand from the Members and Staff of the County Assembly. Indeed, new applications are received almost on a daily basis. For this reason, the available cash resource has been dwindling, a fact that calls for replenishment of the fund. There are therefore plans to grow the Fund's cash resource from the next Financial Year. Accordingly, an additional of funding of Kshs.411M has been allocated through the County Assembly FY2022/23 proposed budget estimates towards this course.

The Fund's operations started at a high note in Financial Year 2021/2022 being the electioneering period where members of the Loans Management Committee were expected to engage in campaign related activities towards the end of the Financial year. This notwithstanding, the scheme fund operations continued without any setbacks. Financial quarterly reports on the scheme fund performance were prepared and submitted to the County Executive Committee Members on timely basis as required by law. The Loans Management expenditure budget for the FY2022/23 was considered, approved and adopted by the Committee. Other reports on the scheme fund were prepared and presented to the Committee for review and deliberations. The scheme fund operations depict growth and undeterred accomplishment of its primary objectives of providing loans to members of scheme for the purchase of vehicles; and the purchase, development, renovation or repair of residential property.

Appreciation

I wish to extend special thanks to the entire board, management, members and staff of the Nairobi City County Assembly for dedicating time and effort to see the fund achieve its continued success. Specifically, I wish to thank the fund management committee for the outstanding leadership, vision and direction. Finally, I wish to thank all our stakeholders for their confidence in the Nairobi City County Assembly.



.....
Edward O. Gichana
Fund Administrator

6. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The Nairobi City County Assembly, in cognizance of the vision and mission statements of Nairobi County Government – which are; *the City of choice to invest, live and work in and; To provide affordable, accessible and sustainable quality services, enhancing community participation and creating a secure climate for political, social and economic development through the commitment of a motivated and dedicated team* respectively – has developed its own vision, mission and strategic goals. The vision and mission statements of the County Assembly are as summarized below.

Vision, Mission, Strategic Goals and Objectives

To enable The Nairobi City County Assembly, deliver its mandate, the Assembly has developed the following vision and mission statements;

Vision

To be the most efficient and effective legislature in promoting good governance

Mission

To advance economic, social, cultural and political aspirations of the people of Nairobi City County through robust legislation, prudent oversight and responsive representation

Strategic Goals

Strategic Goal 1: A County Assembly that plays its triple role of legislation, oversight and representation effectively

Strategic Goal 2: Well governed and managed County Assembly with sufficient institutional capacity.

Below we provide the progress on attaining the stated objectives:

**Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022**

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Legislation, Oversight and Representation	Provide loans for purchase of vehicles to scheme fund members	Increased uptake of car loans by both Members and Staff	<ul style="list-style-type: none"> • 55MCAs own cars courtesy of the scheme fund • 15 Staff Members own personal cars financed through the fund 	<ul style="list-style-type: none"> • KShs.0.69M outstanding loan scheme fund was issued under car loan for 2nd Assembly MCAs. • A total of Kshs.13. outstanding loan disbursed to staff for car loan.
Legislation, Oversight and Representation	Provide loans to members of the scheme fund for the purchase, development, renovation or repair of residential property.	Construction /Purchase of residential homes by both members of the scheme	<ul style="list-style-type: none"> • 47 MCAs benefited from mortgage under the scheme fund • 89Staff Members have either constructed or purchased residential homes 	<ul style="list-style-type: none"> • A total of KShs.1.26M outstanding loan issued to Members Mortgage • A total of Kshs.592M outstanding loan issued to Staff Members

7. Corporate Governance Statement

The Fund started operations in June 2014 under the said Regulations, Public Finance management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2014. During the year under reporting and pursuant to merging of the Car Loan and Mortgage benefits for Members of County Assemblies by the salaries and Remuneration Commission, the county Assembly adopted new Regulations, Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. These Regulations were gazetted in July 2018 and came into force during the period under reporting – Financial Year 2018/2019. The Fund has therefore been operating under the transitional clause as provided for under regulation 35 of the new Regulations- Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017. Full transition however was effective as at 1st July 2019.

The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 Part II Regulation 6(1) stipulates the establishment of the loans management committee membership. The established committee to be known as the Loans Management Committee which shall **comprise** of:—

- (a) the Leader of the Majority Party, who shall be the chairperson;
- (b) the Leader of the Minority Party, who shall be the vice-chairperson;
- (c) the Majority Whip of the County Assembly;
- (d) the Minority Whip of the County Assembly;
- (e) four members of the county assembly nominated by the members of county assembly;
- (f) three members of staff of the County Assembly, elected by the staff of the County Assembly; and
- (g) the Clerk of the County Assembly who shall be the officer administering the Fund, an *ex-officio* member of the Committee and the secretary to the Committee.

Generally, the operations of the scheme fund are internally administered by the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017 and other relevant laws and policies of Kenya.

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The Loans Management Committee meetings are administered in view of the County Assembly Standing Orders, scheme fund regulations and any other relevant laws. The **agendas** of the Committee emanate from the Committee itself and office of the Clerk on matters of loan applications, approvals and general operations of the scheme fund.

The **roles of the Committee** among others include considering and approving loan applications, carrying out site visits, review of audit reports, review of scheme fund financial performance for period under consideration and review of any other matter as might be recommended by the management or Service Board.

The Loans Management Committee held a total of nineteen (19) sittings for the period between 21st July 2021 to 25th May 2022 in the period under review. In the sittings the chairperson is paid sitting allowance at a rate of Kshs.6,500, the vice-chair Kshs.5,200 and Committee members Kshs.3,900 per sitting. This summed upto a total of Kshs.1,263,191 sitting allowances paid to the committee members.

The Committee carried out a total of four retreats, being one retreat for every quarter of the financial year 2021/22. The retreat's agenda are proposed and formulated by both the members and office of the Clerk based on the operations of the Scheme fund.

8. Management Discussion and Analysis

The Funds operational and Financial Performance

The financial performance of the Fund as at 30th June 2022 is presented herewith in accordance with the requirement of the Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations 2017, the Public Audit Act and the International Public Sector Accounting Standards. This is the 6th financial year since inception of the fund and interest earned on the 3% repayments on all loans and from the bank has been the main source of revenue.

Revenue

The Fund total revenue as at 30th June of 2022 stood at Kshs. 19.97M. This being Kshs. 1.31M interest from daily bank balances and Kshs. 18.66M interest from 3% interest loan repayments.

Recurrent Expenditure

The total operating expenditure for the Fund as at 30th June of FY2021/2022 was Kshs. 16.03M.

Cash Flow Statement

Cash flow from the operations of the fund are detailed in the cash flow statement for the period ended 30th June 2022. The cash and cash equivalent for the Fund as at 30th June of 2022 was at Kshs.45.77M compared to Kshs 76.20M as at 30th June of 2021.

Funds compliance with statutory requirements

The fund continued to comply with all the applicable laws and statutory requirements.

Major Risks facing the entity.

- **Legal and regulatory risks**

The Fund faces legal and regulatory risks such as committee membership amendments, court orders thus having non-performing loans until when the matter is settled, and uncertainty in the constitution leadership.

9. Environmental and Sustainability Reporting

The Fund did not have Corporate Social Responsibility activities in the year under reporting.

10. Report of The Fund Administration Committee

The car loan and mortgage committee submit their report together with the audited financial statements for the Financial Year ended 30th June 2022, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are;

- (a) Purchase vehicles for Members and staff of the County Assembly
- (b) Purchase, development, renovation or repair of residential property.

10.2 Performance

The performance of the Fund for the financial year ended 30th June 2022, are set out on page 1.

10.3 Loans and Mortgage Committee Membership

The members of the committee who served during the year are shown on page vii.

10.4 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.

Hon. Peter Wanyoike

Fund Administration Committee Chairperson

Date:.....

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for the quarter ended on 31st March, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2014)*. 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 quarter ended 31st March, 2022, and of the Fund's financial position as at that date.

The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

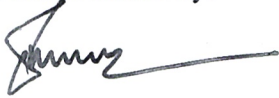
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022

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

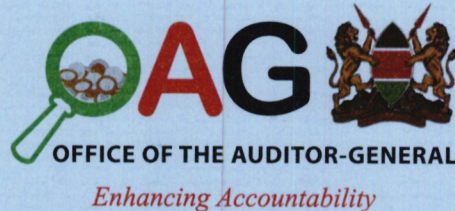
The Fund's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:



Edward O. Gichana
Administrator of the County Public 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 NAIROBI CITY COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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 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

Adverse Opinion

I have audited the accompanying financial statements of Nairobi City County Assembly Car Loan and Mortgage Scheme Fund set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Nairobi City County Assembly Car Loan and Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and do not comply with Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

1.1. Variance in Interest Income

The statement of financial performance reflects interest income of Kshs.19,967,000, as disclosed in Note 4 to the financial statements. However, an independent recalculation from details in the supporting analysis provided for audit yielded an interest of Kshs.22,392,670, against the interest of Kshs.19,967,000 reflected in the financial statements resulting to a variance of Kshs.2,425,670 which was not explained or reconciled.

1.2. Variance in Principal Loan Repayment Records

The statement of cash flows reflects proceeds from loan principal repayments of Kshs.111,959,000 while the total repayments as per the individual repayment ledgers was Kshs.103,604,577 resulting to a variance of Kshs.8,354,423 which was not explained or reconciled.

Further, review of extracts of the payroll indicated that the principal and interest payments amounted to Kshs.115,111,113. However, the statement of financial performance reflects interest payment of Kshs.19,966,000 resulting to a principal

repayment balance of Kshs.95,145,113 which differs from loan principal repayments balance of Kshs.111,959,000 by Kshs.16,813,886 which was not explained or reconciled

In the circumstances, it was not possible to confirm the accuracy and completeness of the financial statements.

1.3 Inconsistency in Loan Records

The statement of cash flows reflects interest received and proceeds from loan principal repayments of Kshs.19,966,000 and Kshs.111,959,000 respectively, totalling Kshs.131,925,000. Extracts of payroll schedules provided for audit revealed total loans from members and staff of Kshs.115,111,114 while summary of the individual loan ledgers reflected total receipts of Kshs.124,690,461. Management did not reconcile or explain the variance between the three sets of records.

1.4 Inaccurate Statement of Cashflows

The statement of cash flows reflects further reflects cash and cash equivalent balance of Kshs.45,771,000 while down casted balance is Kshs.104,913,000 resulting to a variance of Kshs.59,142,000 which was not explained or reconciled.

Further The statement of financial position reflects cash and cash equivalents balance of Kshs.45,771,000, as disclosed in Note 11 to the financial statements. Included in the reconciling items were receipts in cash book not in the bank statement totaling to Kshs.14,321,244 which includes Kshs.8,290,668 for the period between June, 2020 and May, 2022. However, no explanation was provided by the Management on why the receipts were not reflected in the bank.

In addition, the statement reflects cash and cash equivalents balance of Kshs.135,345,000 as at June, 2021. However, the balance differs with the opening balance as at 1 July, 2021 of Kshs.76,204,000 reflected in the statement of cash flows, resulting to an unreconciled variance of Kshs.59,141,000

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.45,771,000 could not be confirmed.

2.0 Inaccuracies in Receivables

The statement of financial position reflects current and non-current portion of long-term receivables from exchange transactions balances of Kshs.52,840,000 and Kshs.553,503,000 totalling to Kshs.606,343,000, as disclosed in Note 12 to the financial statements. An independent precomputations indicated receivables balance of Kshs.639,994,000 resulting to a variance of Kshs. 33,651,000 which was not explained or reconciled. The statement further reflects total receivables of Kshs.672,250,000 as at

In the circumstances, the accuracy and completeness of the receivables totaling to Kshs.606,343,000 could not be confirmed.

3.0 Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects a revolving fund balance of Kshs.718,531,000. However, recasting across of the balance brought forward as at 1 July, 2020 results to an amount of Kshs.714,068,000 while the statement indicates Kshs.708,553,000 resulting to an unexplained variance of Kshs.5,515,000. Further, the statement reflects surplus for the year 2020/2021 of Kshs.735,000. However, the statement of financial performance reflects a prior year surplus amount of Kshs.371,000.

In addition, the balances stated differ with the previous audited financial statements balances as stated below:

Description	Financial Statements 2021/2022 Kshs.	Financial Statements 2020/2021 Kshs.	Variance Kshs.
Balance as at 1 July, 2020 - Revolving Fund	640,000,000	664,566,000	(24,566,000)
Balance as at 1 July, 2020 - Accumulated Surplus	74,068,000	68,257,000	5,811,000
Surplus	735,000	371,000	364,000

In the circumstances, it was not possible to confirm the accuracy of the statement of Changes in Net assets.

4.0 Unsupported Administrative Expenses

The statement of financial performance reflects an amount of Kshs.16,238,000 in respect of administrative expenses. However, the Management did not support the expenses with minutes of meetings, attendance registers, invitations and agenda for meetings. In addition, Management did not disclose, in the corporate governance statement section of their annual report, information relating to meetings held, with details of the role, composition, board meetings and remuneration of committee members, as required by the Public Sector Accounting Standards Board.

Further, the administrative expenses were 81% of the receipts during the year contrary to a limit of 3% as provided for under Regulation 13(1) and (2) of the Nairobi City County Car Loan and Mortgage Scheme Fund Regulations, 2017 and Regulation 197(1)(d) of the Public Finance Management Regulations, 2015.

In the circumstances, the accuracy of the administrative expenditure totaling to Kshs.16,238,000 could not be confirmed.

5.0 Unrefunded Transfer of Funds

The statement of financial position reflects receivables from exchange transactions (cash transfers) balance of Kshs.66,417,000 from Nairobi City County Assembly, as disclosed in Note 19 to the financial statements. Note 19 indicates domestic borrowing of Kshs.110,283,000 and repayment of domestic borrowing Kshs.43,866,000 resulting to a balance of Kshs.66,417,000. Review of the cashflow statement indicates that Kshs.66,417,000 was transferred to Nairobi City County Assembly. However, the repaid amount of Kshs.43,866,000 was not traced in the cashflow statement or the bank statement.

In the circumstances, the accuracy, completeness and validity of receivables from exchange transactions Kshs.66,417,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City County Assembly Car Loan and Mortgage 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board and the National Treasury Circular Ref: No. AG.4/16/3 Vol.1(11) dated 6 July, 2022.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the basis for Conclusion on Lawfulness and Effectiveness in Use

of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Adhere to Maximum Loan Disbursement

Review of the documents provided for audit revealed that the Loan and Mortgage Committee advanced mortgage loans at 100% of the value of the property to the members, contrary to Regulation 25(4) of the Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2017, which states that; a loan granted to a borrower under these Regulations shall be funded at the rate of (a) ninety per centum of the value of the property, where such property is situated in Nairobi; or (b) eighty per centum of such value where the property is situated in any other area, and the borrower shall be required to deposit the balance thereof with the Fund.

In the Circumstances, Management was in breach of law.

2. Lack of Competitive Bidding

The Fund Management floated quotations for three different conference facilities. However, review of evaluation reports provided for audit review revealed that only two bidders for each of the three different services requested, responded. The Management evaluated the two bidders and awarded the contract to the lowest bidders at a cost of Kshs.702,200, instead of at least three bidders contrary to Section 106(2)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires at least three persons to submit their quotations prior to evaluation, Further, the tender documents, professional opinion and appointment of the tender opening and evaluation committee, and inspection and acceptance committee, were not provided for audit review.

In the circumstances, it was not possible to confirm that there was value for money in the procurement of the services described above at a cost of Kshs.702,200.

3. Lack of Mortgage Protection and Fire Policy

Analytical review carried out on the car and mortgage loan repayment schedule revealed receivables from non-exchange transactions for staff members and Members of County Assembly balance of Kshs.678,163,019 and Kshs.1,125,979, respectively. However, the Fund Management had not made any arrangements for mortgage protection and fire policy insurance cover, contrary to Regulation 28 of the Nairobi County Assembly Car Loan and Mortgage Scheme (Staff) Fund Regulations, 2017 which states that “a borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the Board, the cost of which shall be paid out of the Fund and debited in such borrower’s account.”

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

4. Lack of Imprest Register

Review of records provided for audit revealed that the Management issued imprests to various staff members totaling Kshs.6,042,789 in respect of domestic and foreign travel. However, the Management did not maintain an imprest register contrary to Regulation 93(4)(C) of the Public Finance Management (County Governments) Regulations, 2015, which states that before issuing temporary imprests under paragraph 2, the Accounting Officer shall ensure that the applicant's imprest has been recorded in the imprest register, including the amount applied for.

In the circumstances, Management 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 overall 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 Management is aware of the intention to terminate the Fund or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My

consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

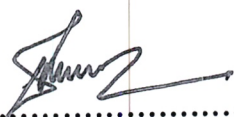

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 February, 2023

13. Statement of Financial Performance for the Year Ended 30 June, 2022

	Note	2021-2022	2020-2021
		Kshs000	Kshs000
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	248,000
Fines, Penalties and Other Levies	3	-	-
Revenue From Exchange Transactions			
Interest Income	4	19,967	19,801
Other Income	5	-	-
Total Revenue		19,967	267,801
Expenses			
Employee Costs	6	-	(16,983)
Use of goods and services	7	(16,238)	(250,447)
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		(16,238)	(267,430)
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For the Period		3,728	371



.....
Name: Edward O. Gichana
Administrator of the Fund
ICPAK Member Number:4922



.....
Name: Paul W. Kimani
Director Financial Services
ICPAK Member Number: 18731

Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022

14. Statement of Financial Position as at 30 June, 2022

	Note	2021-2022	2020-2021
		Kshs 000	Kshs 000
Assets			
Current Assets			
Cash and Cash Equivalents	11	45,771	135,345
Current Portion of Long- Term Receivables From Exchange Transactions	12	52,840	89,719
Prepayments	13	-	-
Inventories	14	-	-
Receivables from Exchange Transactions (Cash Transfers)	19	66,417	-
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	553,503	582,531
Total Assets		718,531	807,595
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	-	74,400
Provisions	18	-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations	20	-	-
			-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities			74,400
Net Assets			
Revolving Fund		714,803	664,566
Reserves		-	-
Accumulated Surplus		3,728	68,629
Total Net Assets and Liabilities		718,531	807,595

Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/ 2022 and signed by:



.....
Name: Edward O. Gichana
Administrator of the Fund
ICPAK Member Number:4922

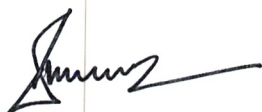


.....
Name: Paul W. Kimani
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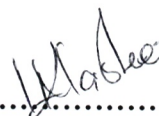
**Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022**

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Balance As At 1 July 2020	640,000	-	74,068	708,553
Surplus/(Deficit) For the Period	-	-	735	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	640,000	-	74,803	714,803
Balance As At 1 July 2021	640,000	-	74,803	714,803
Surplus/(Deficit) For the Period	-	-	3,728	-
Funds Received During the Year	-	-	-	-
Transfers to NCCA	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	640,000	-	78,531	718,531



.....
Name: Edward O. Gichana
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ICPAK Member Number:4922



.....
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Director Financial Services
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16. Statement of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs 000	Kshs 000
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	248,000
Interest received		19,966	19,801
Receipts from other operating activities		-	-
Total receipts		19,966	267,801
Payments			
Fund administration expenses		(16,238)	(16,983)
General expenses		-	(250,447)
Finance cost		-	-
Other payments		-	-
Net cash flows from operating activities		3,728	371
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		(-)	(-)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		111,959	116,978
Loan disbursements paid out		(79,703)	(416,297)
Cash Transfers to NCCA		(66,417)	-
Net cash flows used in investing activities		(34,161)	(299,319)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	246,000
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		(-)	0
Net increase/(decrease) in cash & cash Equivalents		-	(52,948)
Cash and cash equivalents at 1 July 2021	11	76,204	188,294

**Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022**

Cash and cash equivalents at 30 June 2022	11	45,771	135,346
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.....
Name: Edward O. Gichana
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.....
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Director Financial Services
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Nairobi City County Assembly Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2022

17. Statement Of Comparison of Budget and Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022	2022	2022	2022	2022	2022
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.						
Interest Income	18,097	-	18,097	19,966	1,869	
Other Income	-	-	-	-	-	
Total Income	18,097	-	18,097	19,966	1,869	
Expenses						
Fund Administration Expenses	(16,920)	-	(16,920)	(16,026)	894	
General Expenses	(440)	-	(440)	(212)	228	
Finance Cost	-	-	-	-	-	
Total Expenditure	(17,360)	-	(17,360)	(16,238)	1,122	
Surplus For The Period	737	-	737	3,728	2,991	

18. Notes to the Financial Statements

1. General Information

Nairobi City County Assembly as an entity is established by the County Government Act, 2012 and derives its authority and accountability from The Public Finance Management Act, 2012. The entity is wholly owned by the Nairobi City County Government and is domiciled in Kenya. The entity's principal activity is Representation, Oversight and Legislation.

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 2022

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</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> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
Annual Report and Financial Statements for the year ended 30 June, 2022

Standard	Effective date and impact:
	<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>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p><i>Applicable 1st January 2025</i></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>

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
Annual Report and Financial Statements for the year ended 30 June, 2022

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></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.

1. 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.

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 2021-2022 was approved by the County Assembly on 30th June 2021. 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 *nil* on the FY 2021-2022 budget following the governing body's approval.

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

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

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

Summary Of Significant Accounting Policies (Continued)

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 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.

a) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Summary of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary of Significant Accounting Policies (Continued)

b) Inventories

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

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

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

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

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

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

c) Provisions

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

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

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

Contingent liabilities

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

Summary Of Significant Accounting Policies (Continued)

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

e) 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.

f) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

g) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

Summary of Significant Accounting Policies (Continued)

h) 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.

i) 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.

j) 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.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by The Public Finance Management (*Nairobi City County Assembly Car Loan and Mortgage Scheme Fund*) Regulations, 2017 under the Nairobi City County Assembly. Its ultimate parent is the County Government of Nairobi City.

n) Currency

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

Summary of Significant Accounting Policies (Continued)

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.

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

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. Additional disclosure of these estimates of provisions is included in Note 18.

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.

6. Notes to The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Transfers From County Govt. –Car Grant	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Interest Income From Mortgage Loans	16,939	13,713
Interest Income From Car Loans	1,721	2,018
Interest Income From Investments	-	-
Interest Income On Bank Deposits	1,307	4,070
Total Interest Income	19,967	19,801

(Provide brief explanation for this revenue)

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs '000'	Kshs '000'
General Office Expenses/Committee Travel Costs	13,241	16,983
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	2,770	-
Bank Charges	212	237
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	2,210
Postage And Courier	-	-
Printing And Stationery	-	-
Description	2021/22	2020/21
	Kshs '000'	Kshs '000'

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Rental Costs	14.4	
Security Costs	-	
Telephone And Communication Expenses	-	
Audit Fees	-	
Provision For Doubtful Debts	-	
Other (<i>Car Grant Issuance</i>)	-	248,000
Total	16,238	267,430

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs '000'	Kshs '000'
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
NCCA Car Loan & Mortgage Account	45,771	135,346
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash and Cash Equivalents	45,771	135,346

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs '000'	Kshs '000'
a) Fixed Deposits Account			
Coop Bank		-	
Sub- Total		-	
b) On - Call Deposits			
Coop Bank		-	
Sub- Total		-	
c) Current Account			
Coop Bank(City Hall Branch)	01141232417504	45,771	39,980
Sub- Total		45,771	39,980
d) Others(Specify)			
Cash In Transit			
Cash In Hand			
Sub- Total			
Grand Total		45,771	39,980

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Current Receivables		
Interest Receivable	1,585	
Current Loan Repayments Due	51,255	87,719
Other Exchange Debtors	-	2,000
Less: Impairment Allowance	-	
Total Current Receivables	52,840	89,719
Non-Current Receivables		
Long Term Loan Repayments Due	553,503	582,531
Total Non- Current Receivables	-	582,531
Total Receivables From Exchange Transactions	606,343	746,649

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Prepayments

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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14. Inventories

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Notes to The Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Notes to The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
		74,400
-		-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade And Other Payables		74,400

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Notes to The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	110,283	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	(43,866)	-
Balance At End of The Period	66,417	-

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

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
External Borrowings		
Dollar Denominated Loan to 'X Organization'	-	-
Sterling Pound Denominated Loan to 'Y Organization'	-	-
Euro Denominated Loan to Z Organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan to NCCA Recurrent Account	-	-
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Notes to The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Surplus/ (Deficit) For the Year Before Tax	-	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments	-	-
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow from Operating Activities	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
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Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Court Case Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs '000'	Fully performing Kshs '000'	Past due Kshs '000'	Impaired Kshs '000'
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-

Nairobi City County Assembly Board (Car Loan and Mortgage Scheme Fund)
Annual Report and Financial Statements for the year ended June 30, 2022

Total	-	-	-	-
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(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total				
At 30 June 2021				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total		-	-	-

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	Kshs '000'	Kshs '000'	Kshs '000'
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash			
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs ----- (2022: Kshs ---). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2021 – Kshs xxx)

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d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs '000'	Kshs '000'
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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19. Progress On Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/NCC/CA/CLMF 2020/2021 (24)	Failure to provide a Trial balance	This has been availed through the revised Financial Statements.	Resolved	
OAG/NCC/CA/CLMF 2020/2021 (24)	Irregularities on payment of Car Grant	The taxation of the car grant issued to members of the Second Assembly was paid to KRA through the Assembly Recurrent account where the matter was administered.	Resolved	
	Inaccurate transfers from the County Government	The Assembly through FY2022/2023 Budget, appropriated Kshs. 2M to the scheme fund.	Resolved	