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**REPORT**

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CLERK AT THE TABLE	Ms. MACHARIA

**OF**

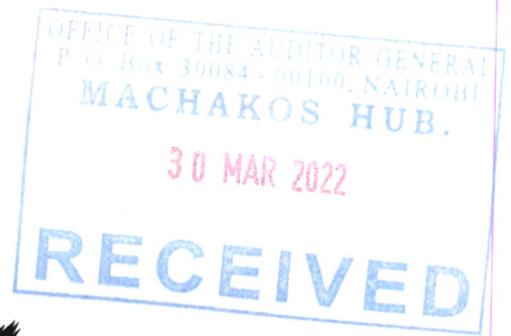
**THE AUDITOR-GENERAL**

**ON**

**MACHAKOS COUNTY ASSEMBLY STAFF  
CAR LOAN AND HOUSING SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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**COUNTY ASSEMBLY OF MACHAKOS  
STAFF CAR LOAN AND HOUSING SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2021**

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

***County Assembly of Machakos***  
***Staff Car Loan and Housing Scheme Fund***  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Machakos County Assembly Staff Car Loan and Housing Scheme Fund is established by and derives its authority and accountability from Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018 whose effective date was 6<sup>th</sup> December 2018. The Fund is wholly owned by the County Government of Machakos and is domiciled in Kenya.

The fund's objective is to disburse Car and Mortgage funds to State officers and ensure accountability and proper use of Public funds.

The County Assembly is constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 59 Members of County Assembly (MCAs) elected and nominated to represent members of the public from their respective wards and one Speaker. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

### b) Principal Activities

The principal mandate of the Fund is to advance loans to public officers in accordance with the PFM Act 2012.

### c) Loan Management Committee

Ref	Name	Position
1	Hon. Mark Muendo	Majority Leader
2	Hon. Alex Kamitu	Minority Leader
3	Hon. Dominic Ndambuki	Budget Chair
5	Hon. Moses Mitaa	Majority Whip
6	Jacqueline Nziva	Minority Whip
7	Hon. Joseph Wambua	Representing male MCAs
8	Hon. Constance Mbula	Representing female MCAs
9	Mr. Felix Mbiuki	Fund Administrator/Secretary

### d) Key Management

Ref	Name	Position
1	Mr. Felix Mbiuki	Fund Administrator
2	Mr. Benson Mutua	Senior Accountant
3	Mr. Sylvester Nzangi	Fund Manager
4	Mr. Joseph Laban Mutisya	Deputy Clerk-Administration
5	Mr. Hillary mbavu muthui	Director-Legal, Research and Library
6	Mr. Mathew Muange munguti	Senior Clerk Assistant
7	Mr. Stellamaris Mueni Wambua	Senior Supply Chain Management Officer
8	Ms. Susan Kanini Caroline	Internal Auditor
9	Ms. Mary Luiza Kamau	Deputy Hansard Editor/Staff Representative
10	Ms. Norah Mutio Muteti	Clerk Assistant/Staff Representative

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11	Mr.Peter Muema Mbatha	Director-Finance,Accounts and Budget
15	Mr.Dominic Mutuku Musyoka	Ag.Director-Procedure and Committee Services
16	Ms. Nancy Wambui Wangai	Director- Supply Chain Management

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	CPA Francis Mwatha
2	Assembly Oversight Committee	PIC & PAC
3	Audit Committee	Elizabeth Musyoka Faith Mulwa Internal Auditor

**f) Registered Offices**

County Assembly Headquarters,  
Along Mwatu wa Ngoma Street  
P.O Box 1168-90100  
Machakos, KENYA

**g) Fund Contacts**

E-mail: [assemblymks@gmail.com](mailto:assemblymks@gmail.com)  
Website: [www.machakosassembly.com](http://www.machakosassembly.com)

**h) Fund Bankers**

Co-operative Bank of Kenya  
Machakos Branch



**i) Independent Auditors**

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



**j) Principal Legal Adviser**

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




2. THE LOAN COMMITTEE

Name	Details of qualifications and experience
<p>1. Hon.Mark Muendo</p> 	<p><b>D.O.B:</b>28<sup>th</sup> August, 1964</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Diploma in Telecommunication</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• 2007-2010: Director of Tea Board , Ministry of Agriculture</li> <li>• 2002-2006: Director, Horticultural Crops Development Authority</li> <li>• 1997-2002: Councillor Mavoko Municipal Council</li> </ul>
<p>2. Hon.Alex Kamitu</p> 	<p><b>D.O.B:</b>15<sup>th</sup> June, 1951</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Diploma in Leadership Management</li> <li>• EACE</li> <li>• Certificate in Computer Office Packages</li> <li>• Certificate in Management</li> <li>• Certificate in Corporate Governance</li> <li>• Certificate in Crisis Management</li> <li>• Certificate in Riot Control Management</li> <li>• Police Middle Management Course</li> <li>• British Army Training for Platoon Commander</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• 2013-2017: Member of County Assembly, Machakos County Assembly</li> <li>• 2006-2008: Security Liaison Manager KK Security</li> <li>• 2004-2006: ACP Administration, Nairobi Province</li> </ul>

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	<ul style="list-style-type: none"> <li>• 2002-2004: OCPD Nandi</li> <li>• 2001-2002: Contingent Commander, UN Mission</li> <li>• 1996-2000: Staff Officer GSU HeadQuarters</li> <li>• 1984-1995: Incharge Junior Training Wing at GSU Training School</li> <li>• 1972-1983: GSU</li> </ul>
<p>3. Hon.Dominic Ndambuki</p> 	<p><b>D.O.B:</b>15<sup>th</sup> April, 1984</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Master of Business Administration, Kenyatta University</li> <li>• Bachelor of Business Administration(Marketing), Kenya Methodist University</li> <li>• KCSE</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• 2009-2017: Customer Relations Supervisor, Toyota Kenya</li> </ul>
<p>4. Hon Moses Mitaa</p> 	<p><b>D.O.B:</b> 27<sup>th</sup> October, 1977</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Diploma In Business Management</li> <li>• Certificate in Business Management</li> <li>• KCSE C-</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• Nov 2004-2017: Manager, Headline Publishers</li> <li>• June 2003- Oct 2004: Administrative Assistant, headline Publishers</li> <li>• June 1998-May 2003: Administration Assistant: Jodge &amp; Kith International Limited</li> </ul>

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<p>5. Jacqueline Nziva</p> 	<p><b>D.O.B:</b> 22<sup>nd</sup> July, 1981</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts, University of Nairobi</li> <li>• Diploma in Social Works and Social Development</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• 2013-2017: Member of County Assembly, Machakos County Assembly</li> <li>• 2008-2013: Councillor, County Council of Masaku</li> </ul>
<p>6. Hon. Joseph Wambua</p> 	<p><b>D.O.B:</b> 19<sup>th</sup> March, 1979</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in Education, Egerton University</li> <li>• KCSE B+</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• August, 2017 to date: Member of County Assembly, Machakos County Assembly</li> <li>• 2005 to date: Director, Huruma Trading Company Limited</li> <li>• 2002-2004: Self Employed, JuaKali</li> </ul>
<p>7. Hon. Constance Mbula</p> 	<p><b>D.O.B:</b> 1<sup>st</sup> January, 1952</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• KCSE</li> <li>• Certificate in Computer Packages</li> <li>• Certificate in Office Management</li> <li>• Certificate in Performance Management</li> <li>• Certificate in: Communication Skills and Entrepreneurship, Integrity in Leadership, Strategic Planning, Community Development, Public</li> </ul>

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	<p>Finance, Procurement and Taxation, Resource Mobilization, Development and Economics, Administrative Law, Project Development Management</p> <p><b><i>Work Experience:</i></b></p> <ul style="list-style-type: none"><li>• September, 2017 to date: Member of County Assembly, Machakos County Assembly</li><li>• June, 2016 to date: Member, Central Division Land Control Board</li><li>• July 2014 to date: Community Scholarship Board Member: Equity Wings to Fly</li><li>• June 2014 to date: Chairperson, Machakos Sub County Maendeleo ya Wanawake Organization</li><li>• 2003-2013: Member, Constituency Development Fund, Langata</li><li>• 1997-2002: Administrative Manager: Jamco Airport Services</li><li>• 1990-1997: Secretary, Central Bank of Kenya</li><li>• 1977-1990: Receptionist, Car &amp; General</li></ul>
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### **3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES**

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

The key objectives of Machakos County Assembly Staff Car Loan and Housing Scheme Fund Are to:

- a) Provide Car loans to staff
- b) Provide housing loans to staff

To achieve the above objectives the fund had a budget allocation of Ksh.50,000,000. During the year the County absorbed Ksh.20,000,000. There was another treasury receipt of Ksh. 20,000,000 which came as a late release after close of the year relating to FY 2020/2021 budget.


Below we provide the progress on attaining the stated objectives:

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Staff Loans	1.To enable staff have residential houses and decent motor vehicles for commuting to and from work 2.To motivate staff	Increased number of staff accessing Mortgage and car loans  Increased staff morale and motivation	100% of staff retention in the Assembly  Staff owning motor vehicles and residential houses	In FY 20/21 we increased budget absorption by 40% staff loans.  Increased number of beneficiaries for Loans by 17 in FY 2020/2021

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**4. MANAGEMENT COMMITTEE**

Name	Details of qualifications and experience
<p>1 Mr. Felix.Gitari Mbiuki</p> 	<p>Clerk to the County Assembly of Machakos</p> <p><b>D.O.B:</b> 24/06/1964</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelors of Commerce (Finance)</li> <li>• CPA (K)</li> <li>• Diploma in Public Administration (Galilee Israel)</li> <li>• Strategic Leadership Development Course</li> <li>• A Level</li> <li>• Computer packages</li> <li>• Member-ICPAK</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2011-2012: Clerk, Masaku County Council</li> <li>• 2007-2011: Town Clerk, Thika Municipal Council</li> <li>• 2005-2007: Town Treasurer: Nakuru Municipal Council</li> <li>• 2004: Town Treasurer, Mombasa Municipal Council</li> <li>• 2003-2004: Deputy City Treasurer, City Council of Nairobi</li> <li>• 1997-2003: County Treasurer, County Council of Kiambu</li> <li>• 1996-1997: County Treasurer, Siaya County Council</li> <li>• 1993-1996: County Treasurer, Tharaka Nithi County Council</li> <li>• 1990-1993: Accountant, Chuka Urban Council</li> </ul>

2 Mr. Joseph.Laban Mutisya



Deputy Clerk –Administration

**D.O.B:** 01/07/1974



***Academic Qualification:***

- Masters in Business Administration
- Bachelor of Science (HRM).
- Higher Dip. in Human Resource Mg
- Dip. in Human Resource Mgt,
- Dip. in Business Mgt & Admin,
- Cert. in Personnel Mgt & Industrial Relations,
- Member- IHRM
- KCSE B-



***Work Experience:***

- **May 2013-July 2018:** Director, Human Resource Management, County Assembly of Machakos
- 2013-May, 2013: Chief Administrative Officer, HRM, City Council of Nairobi
- 2011-2012: Ag. Principal Administrative Officer,
- 2010: Administrative Officer, City Council of Nairobi
- 2003-2010: Internal Auditor, Contracts And Procurement, City Council of Nairobi
- 2000-2003: Debt Collector, City Council of Nairobi
- 1999: Clerical Officer, City Council of Nairobi
- 1997-1998: Teacher, Mulli High School


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<p>3</p>	<p>Mr. Peter Muema Mbatha</p> 	<p>Director - Finance ,Accounts and Budget</p> <p><b>D.O.B:</b> 06/05/1969</p> <p><b>Academic qualifications</b></p> <ul style="list-style-type: none"> <li>• Masters-Business Administration (Finance)</li> <li>• Bachelor of Science (Statistics),</li> <li>• CPA (K)</li> <li>• Member ICPAK</li> <li>• A-Level</li> </ul> <p><b>Work experience:</b></p> <ul style="list-style-type: none"> <li>• March 2013 to date: Machakos County Assembly as the Director, Finance</li> <li>• March 2008-March 2013: Municipal Council of Mavoko as a senior accountant</li> <li>• March 2007-March 2008: County Council of Nakuru as Ag. Deputy County Treasure</li> <li>• January 1996-June 2005: County Council of Masaku as Accountant III</li> </ul>
<p>4</p>	<p>Ms. Nancy Wambi Wangai</p> 	<p>Ag.Director- Supply Chain Management</p> <p><b>D.O.B:</b> 20/02/1980</p> <p><b>Academic qualifications:</b></p> <ul style="list-style-type: none"> <li>• Master of business administration</li> <li>• Bachelor of Arts (Economic &amp; Business Studies)</li> <li>• Dip. in Purchasing &amp; Supply, Associate</li> <li>• Member of the Chartered Institute of Purchasing &amp; Supply,</li> <li>• Snr. Management Course, Bidding Docs &amp; Evaluation of Tenders, Strategic Sourcing &amp; Supply, Market Analysis,</li> <li>• KCSE B</li> <li>• Cert. in IT</li> </ul>

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		<ul style="list-style-type: none"> <li>• Member KISM</li> </ul> <p><b>Work experience:</b></p> <ul style="list-style-type: none"> <li>• 1<sup>st</sup> December 2013 to date: Machakos County Assembly as the Director, Supply Chain Management</li> </ul>
5	<p>Mr. Benson Mulinge Mutua</p> 	<p>Senior Accountant</p> <p><b>D.O.B:</b> 12/12/1980</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Business Administration</li> <li>• C.P.S (K); C.P.A(K);</li> <li>• Computerized Accounting</li> <li>• Member ICPAK/ ICPSK</li> <li>• KCSE B+</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2014-to date: Senior Accountant, Machakos County Assembly</li> <li>• 2007-2013: Internal Auditor, County Council of Machakos</li> </ul>
6	<p>Mr.Hilary Mbavu Muthui</p> 	<p>Director - Legal , Research and Library</p> <p><b>D.O.B:</b> 27/08/1976</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Masters in International Relations</li> <li>• Bachelor of Law</li> <li>• Diploma in Law</li> <li>• K.C.S.E</li> <li>• Performance management training course</li> <li>• International training Programme in legislative drafting</li> <li>• Parliamentary practices and procedures programme</li> <li>• Legal audits course</li> <li>• Civil procedure rules course</li> </ul>



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		<ul style="list-style-type: none"> <li>• Member LSK</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2010-2013: Deputy Legal Aid Coordinator, National Legal Awareness Programme</li> <li>• August 2006-May 2010: Programme Officer, Constitutional, Legislative, policy and Practice Advocacy, Federation of Women Lawyers-FIDA Kenya</li> <li>• July 2004: Litigation Counsel, Musyoka&amp;Wambua Advocates</li> <li>• March 2003: Head of Legislation Intelligence Programme: The Chambers of justice</li> <li>• April 2002: <b>Programme Officer</b>, Community Legal Education and Advisory Trust (CLEAT)</li> </ul>
7	<p>Mr. Mathew Muange Munguti</p> 	<p>Senior Clerk Assistant</p> <p><b>D.O.B:</b> 18/06/1966</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Taxation</li> <li>• Higher Diploma in Foreign Trade</li> <li>• Certificate in Sales &amp; Marketing Management</li> <li>• K.C.E</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2014-2015: Senior Clerk Assistant, Machakos County Assembly</li> <li>• 2011-2013: Compliance Officer, Kenya Diplomatic Duty Free Ltd</li> </ul>

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		<ul style="list-style-type: none"> <li>• 2007-2009: <b>Branch Manager</b>, Kenya Union of Savings and Credit Cooperatives</li> <li>• 1996-2004: Market Development Manager, Reckitt Benkiser (EA) Lt</li> </ul>
8	<p>Mr. Dominic Mutuku Musyoka</p> 	<p>Ag. Director- Procedure and Committ Services</p> <p><b>D.O.B:</b> 28/04/1978</p> <p><b>Academic qualifications:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Education</li> <li>• Certificate in ICT</li> <li>• Certified Public Secretary (CPS-K)</li> <li>• K.C.S.E- B</li> <li>• Member- ICPSK</li> </ul> <p><b>Work experience:</b></p> <ul style="list-style-type: none"> <li>• February 2014 to date: Machakos County Assembly</li> <li>• October 2007-5<sup>th</sup> January, 2014: Teachers Service Commission</li> <li>• 6<sup>th</sup> January, 2004-31<sup>st</sup> September, 2007: Pioneer Academy as a teacher</li> </ul>
9	<p>Ms. Stellamaris Wambua</p> 	<p>Senior Supply Chain Management Officer</p> <p><b>D.O.B:</b></p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Advanced diploma in purchasing and supply</li> <li>• Diploma in Purchasing and supply chain Management</li> <li>• Certificate in business management</li> <li>• KCSE D+</li> <li>• Procurement Performance Management designing effective KPIs and work plans</li> <li>• Complex and specialized procurements</li> </ul>

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		<ul style="list-style-type: none"> <li>• Member KISM</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• March, 2018-to date: Procurement Officer I County Assembly of Machakos</li> <li>• 2013-2018: Procurement Officer I</li> <li>• 2010-2012: Procurement Officer II</li> <li>• 2007-2009: Procurement Assistant I</li> <li>• 2005-2006: Procurement Assistant II</li> <li>• 2000-2004: Senior Clerical Officer</li> <li>• 1997-1999: Clerical Officer, National Government</li> </ul>
10	<p>Ms. Susan Kanini Caroline</p> 	<p>Internal Auditor <b>D.O.B:</b> 06<sup>th</sup> September, 1979</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Masters in Business Administration</li> <li>• Bachelor of commerce</li> <li>• CPA (K)</li> <li>• Certificate in computerized accountancy</li> <li>• CPS (K)</li> <li>• KCSE B-</li> <li>• Member ICPAK/ICPSK/IIA</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 1999-2014: Accountant, Nairobi City County Council</li> </ul>
11	<p>Sylvester Mutisya Nzangi</p> 	<p>Fund Manager</p> <p><b>D.O.B:</b> 12.02.1983</p> <p><b>Academic Qualification :)</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts in Economics</li> <li>• Certificate in Quick books</li> <li>• CPA (K)</li> <li>• Certificate on Leadership in</li> </ul>

		<p>County Budgeting</p> <ul style="list-style-type: none"> <li>• Certificate best practices in the Implementation of Programme based budget</li> <li>• K.C.S.E B+</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• Jan. 2014 to date; County Assembly of Machakos - Fiscal Analyst</li> <li>• Oct. 2006 to 2013; Kwetu SACCO</li> <li>• July - Aug 2006 Industrial Attachment at Machakos District Dev. Office</li> <li>• June - Aug 2002; Attachee, Nairobi Hospital</li> </ul>
12	<p>Ms. Mary Luiza Kamau</p> 	<p>Deputy Hansard Editor/Staff Representative</p> <p><b>D.O.B:</b> 01/01/1986</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Arts(Communication and Media Technology with IT) Electronic Media Option</li> <li>• Media, public communication and protocol training (CPST)</li> <li>• IAT Certificate in basic computer and internet skills</li> <li>• Certificate in camera, sound, lighting and editing</li> <li>• Project, proposal and report writing skills</li> <li>• KCSE B+</li> <li>• Member of MCK</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2013 to date: Deputy Hansard Editor and Incharge Assembly Broadcasting Unit</li> <li>• Jun 2011-April 2013: Information Officer (Ministry of Information and Communications)</li> </ul>

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		<ul style="list-style-type: none"> <li>• Mar-May 2011: Research Assistant(Diplomat East Africa Magazine and KEMRI)</li> <li>• Oct 2009-April 2010 Communications Consultant</li> </ul>
13	<p>Ms. Norah Mutio Muteti</p> 	<p>Clerk Assistant/Staff Representative</p> <p><b>D.O.B:</b> 17/04/1988</p> <p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Science in Food Science and Technology</li> <li>• K.C.S.E - A-</li> </ul> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2013 to date: Second Clerk Assistant, Machakos County Assembly</li> <li>• 2013: Trainer, Great Nanny Africa Ltd</li> </ul>

## **5. LOAN COMMITTEE CHAIRPERSON'S REPORT**

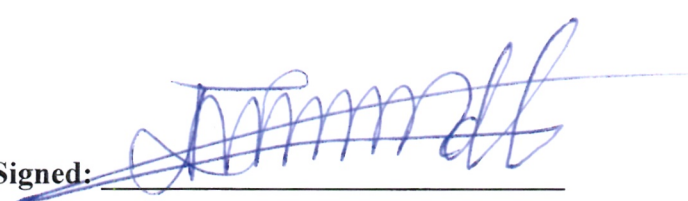
The Car & Mortgage Loan Scheme Fund was established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14<sup>th</sup> February 2014. For proper management of the Fund and as advised by the Salaries and Remuneration Commission in the Circular under reference, the Machakos County Assembly adopted *Machakos County Assembly Car Loan & Mortgage Fund Regulations 2014* to guide operationalization of the Fund. The housing fund began operation back in FY 2014/2015. These regulations were replaced with Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018 on 6<sup>th</sup> December 2018.

The fund is managed internally with Cooperative Bank as the fund bankers.

During the year there was a change in the fund management committee with new members as follows; Peter Muema Mbatha, Nancy Wambui Wangai and Dominic Mutuku Musyoka. The fund performance was good as we were able to disburse a total of Ksh.52,555,900 Car and Mortgages to the Members of staff.

The future outlook of the fund is promising depending on the financing of the fund by the County Treasury so as to be able to advance all members requests on time and adequately.

I would like to thank all the management team and the technical staff who worked overboard to enable success of the fund and ensure prudence in the use and administration of public funds.

Signed: 

**Chairperson: Mark Muendo**

*County Assembly of Machakos*  
*Staff Car Loan and Housing Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**6. REPORT OF THE FUND ADMINISTRATOR**

Pursuant to PFM act 2012 section 116 (1) the County Executive Member for Finance established the Machakos County Assembly Mortgage and Car Loan Scheme to cater for members of the county assembly through regulation that were approved by the County Assembly. These regulations set modalities for the establishment and management of a revolving fund for the two facilities (i.e. Car loan and mortgage). These regulations were later repealed by the Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018 on 6<sup>th</sup> December 2018

Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements in formats prescribed by the Public Sector Accounting Standards board and submit the entity's financial statements within three months after the end of each financial year to the Auditor General with copies delivered to the County Treasury, Controller of Budget and Commission on Revenue Allocation. The financial statements for County Assembly Staff Car Loan and Housing Scheme Fund for the FY 2020/2021 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya. The fund faces the risk of default by its members. To mitigate this, the assembly has ensured that the loans are based on the ability of the member to repay through the payslip via check-off system. No loans are given out of the check-off system which the assembly has control of. The other risk faced by the fund is award of unqualified mortgage/car loan as a result of document falsification. To mitigate this, management has put controls by engaging other professional service providers who do double checks on the documents presented. For instance when the mortgage documents are being perfected the advocate has to do a new official search for the property before and after charging.

During the financial year 2019/2020 the fund received a total of Ksh.40, 000,000 (of which Ksh. 20,000,000 was a late disbursement from the County Treasury) from the County Treasury against the total budget of Ksh.50,000,000. The fund processed and disbursed funds amounting to Ksh.52, 555,900 to members of staff.

*County Assembly of Machakos*  
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**For the year ended June 30, 2021.**

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In its operations, the fund experienced some delays while processing facility applications mainly due to delayed release of funds from the treasury and the long-time spend while charging of title deeds and registering logbooks to be co-owned by the County Assembly and the Loan applicant in order to secure the property against any disposal.

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



**Joseph Mutisya**

**Ag. Clerk, Machakos County Assembly**

*County Assembly of Machakos*  
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**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**7. CORPORATE GOVERNANCE STATEMENT**

In FY 2020/2021, the Loan Management Committee held five meetings in the financial year. The composition of the Loan Management Committee did not change in the year and is as follows:

<b>Name</b>	<b>Position</b>
Hon. Mark Muendo	Majority Leader
Hon. Alex Kamitu	Minority Leader
Hon. Dominic Ndambuki	Budget Chair
Hon. Moses Mitaa	Majority Whip
Hon. Jacqueline Nziva	Minority Whip
Hon. Joseph Musau	Representing male MCAs
Hon. Constance Mbula	Representing female MCAs

The Management Committee was remunerated in the form of board allowances which are set by SRC. This is because it is not an autonomous committee from the Assembly operations and makes use of the existing staff establishment.

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

During the FY 2020/2021, the Committee disbursed mortgage loans totalling to Ksh. 52,555,900.00 to members of staff. No car loans were disbursed during the year.

The Management Committee, as at the close of the Financial Year, had some pending applications from members due to delay in disbursement of funds from the Treasury.

**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

During the year the fund did not carry out any CSR activities due to budget constraints. Most of the activities regarding sustainability and environmental issues are carried out by the executive arm of Government which is in charge of implementation.

**10. REPORT OF THE LOAN MANAGEMENT COMMITTEE**

The Committee submits their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

**10.1 Principal activities**

The principal activity of the Fund is advancing car and property loans to its members

**10.2 Performance**

The performance of the Fund for the year ended June 30, 2021, are set out on page 26

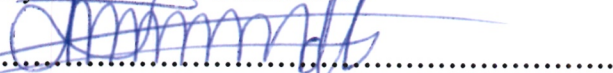
**10.3 The Loan Management Committee**

The members of the Loan Management Committee who served during the year are shown on page 3.

**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.

By Order of the Committee



.....

**Hon. Mark Muendo**

**Chairman of the Loan Management Committee**

Date: 28/03/2022 .....

**County Assembly of Machakos  
Staff Car Loan and Housing Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021.**

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**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 the Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018 on 6<sup>th</sup> December 2018) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. 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.

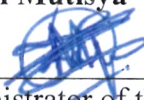
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies (accrual method) supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

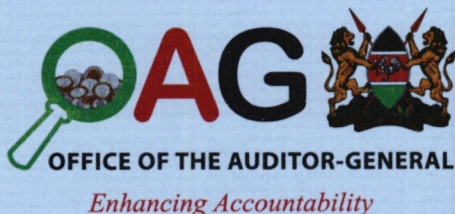
The Fund's financial statements were approved by the Committee on 28/03 2022 and signed on its behalf by:

**Joseph Mutisya**

  
Administrator of the Housing and Car Loan Scheme 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 MACHAKOS COUNTY ASSEMBLY STAFF CAR LOAN AND HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### **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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Machakos County Assembly Staff Car Loan and Housing Scheme Fund set out on pages 28 to 66, which comprise the

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*Report of the Auditor-General on Machakos County Assembly Staff Car Loan and Housing Scheme Fund for the year ended 30 June, 2021*

statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Machakos County Assembly Staff Car Loan and Housing Scheme Fund as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and County Assembly Service (Staff Car Loan and Housing Scheme Fund) Regulations, 2016.

### **Basis for Qualified Opinion**

#### **1. Irregular Current Portion of Inter Account Borrowings**

The statement of financial position and Note 19 to the financial statements reflects current portion of inter account borrowings balance of Kshs.10,000,000 relating to borrowing from the Fund by Machakos County Assembly Car and Mortgage Loan Fund which serves Members of County Assembly. The funds were borrowed during the financial year 2017/2018 and had not been refunded as at 30 June, 2021. Inter-Fund borrowings is contrary to the provisions of Regulation 71(4) of Public Finance Management (County Governments) Regulations, 2015 which prohibits inter-entity borrowings by County Government entities.

In the circumstances, the accuracy, validity and recoverability of the current portion of inter account borrowings of Kshs.10,000,000 as at 30 June, 2021 could not be confirmed.

#### **2. Unsupported Cash and Cash Equivalents**

The statement of financial position and Note 10 to the financial statements reflects cash and cash equivalents balance of Kshs.22,306,377 as at 30 June, 2021. However, the cashbook, bank reconciliation statement and certificate of balance reflects a balance of Kshs.2,284,998, resulting to a variance of Kshs.20,021,379. The Management explained the variance was due to inclusion of late disbursements of up to 19 July, 2021. However, the disbursements were not been supported with vouchers and exchequer releases. Further, the cut-off date for actual cash transactions is 30 June of every year as prescribed under Regulation 97(4) of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the completeness and accuracy of the cash and cash equivalents balance of Kshs.22,306,377 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Unapproved Income and Expenses**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 includes actual interest income and general expenses of Kshs.6,140,441 and Kshs.11,682 respectively which were not factored in the approved budget. This is contrary to Regulation 31(a) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that all County Government revenue and expenditure must be entered in the budget estimates.

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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**

**22 July, 2022**


*County Assembly of Machakos*  
*Staff Car Loan and Housing Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**


**13. FINANCIAL STATEMENTS**

**13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2021.**

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	0	0
Transfers from the County Government	2	0	0
Fines, penalties and other levies	3	0	0
		<b>0</b>	<b>0</b>
<b>Revenue from exchange transactions</b>			
Interest income	4	6,140,441	5,008,371
Other income	5	0	0
		<b>0</b>	<b>0</b>
<b>Total revenue</b>		<b>6,140,441</b>	<b>5,008,371</b>
<b>Expenses</b>			
Fund administration expenses	6	0	0
General expenses	7	11,682	12,600
Finance costs	8		
<b>Total expenses</b>		<b>11,682</b>	<b>12,600</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9	0	0
<b>Surplus/( deficit) for the period</b>		<b>6,128,759</b>	<b>4,995,771</b>

The notes set out on pages 52 to 64 form an integral part of these Financial Statements

  
**Joseph Mutisya**  
 Ag. Clerk to the County Assembly


  
**Peter Mbatha**  
 Chief Finance Officer  
 ICPAK Member Number: 6996

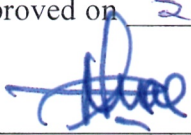
County Assembly of Machakos  
 Staff Car Loan and Housing Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021.

**13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020/2021 KShs	2019/2020 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	22,306,377	14,577,253
Accounts receivable	11	220,563,479	182,163,844
Receivables from Non Exchange Transactions	12	-	-
Prepayments	13	0	0
Inventories	14	0	0
<b>Non-current assets</b>			
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
Long term receivables from exchange transactions	11	0	0
<b>Total assets</b>		<b>242,869,856</b>	<b>196,741,097</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	0	0
Provisions	18	0	0
Current portion of inter account borrowings	19	10,000,000	10,000,000
Employee benefit obligations	20	0	0
		0	0
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	0	0
Long term portion of borrowings	20	0	0
<b>Total liabilities</b>		<b>10,000,000</b>	<b>10,000,000</b>
<b>Net assets</b>		<b>232,869,856</b>	<b>186,741,097</b>
Revolving Fund		214,000,000.00	174,000,000.00
Accumulated Surplus Reserves		12,741,097	7,745,326
Surplus for the Year		6,128,759	4,995,771
<b>Total net assets and liabilities</b>		<b>232,869,856</b>	<b>186,741,097</b>

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 28/03/2022 and signed by:


  
 Joseph Mutisya  
 Ag. Clerk to the County Assembly


  
 Peter Mbatha  
 Chief Finance Officer  
 ICPAK Member Number:6996

*County Assembly of Machakos*  
*Staff Car Loan and Housing Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Balance as at 1 July 2018	<b>119,000,000</b>	<b>0</b>	<b>3,889,190</b>	<b>122,889,190</b>
Surplus/(deficit) for the period	-	-	<b>3,856,136</b>	<b>3,856,136</b>
Funds received during the year	<b>20,000,000</b>	-	-	<b>20,000,000.00</b>
Revaluation gain	-	<b>0</b>	-	<b>0</b>
Balance as at 30 June 2019	<b>139,000,000</b>	<b>0</b>	<b>7,745,326</b>	<b>146,745,326</b>
Balance as at 1 July 2019	<b>139,000,000</b>	<b>0</b>	<b>7,745,326</b>	<b>146,745,326</b>
Surplus/(deficit) for the period	<b>0</b>	-	<b>4,995,771</b>	<b>4,995,771</b>
Funds received during the year	<b>45,000,000.00</b>	-	-	<b>45,000,000</b>
Revaluation gain	-	<b>0</b>	-	<b>0</b>
Balance as at 30 June 2020	<b>184,000,000.00</b>	<b>0</b>	<b>12,741,097</b>	<b>196,741,097</b>
Balance as at 1 July 2020	<b>184,000,000.00</b>	<b>0</b>	<b>12,741,097</b>	<b>196,741,097</b>
Surplus/(deficit) for the period	<b>0</b>	-	<b>6,128,759</b>	<b>6,128,759</b>
Funds received during the year	<b>40,000,000.00</b>	-	-	<b>40,000,000.00</b>
Revaluation gain	-	<b>0</b>	-	<b>0</b>
Inter account Borrowing FY 2017/2018	<b>(10,000,000.00)</b>			<b>(10,000,000.00)</b>
Balance as at 30 June 2021	<b>214,000,000.00</b>	<b>0</b>	<b>18,869,856</b>	<b>232,869,856</b>

  
**Joseph Mutisya**  
**Ag. Clerk to the County Assembly**

  
**Peter Mbatha**  
**Chief Finance Officer**  
**ICPAK Member Number:6996**

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0	0
Transfers from the County Government			
Interest received		6,140,441	5,008,371
Receipts from other operating activities			
<b>Total Receipts</b>		<b>6,140,441</b>	<b>5,008,371</b>
<b>Payments</b>			
Fund administration expenses			
General expenses		11,682	12,600
Finance cost			
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	(38,399,635)	(38,059,814)
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	0	0
<b>Net cash flows from operating activities</b>		<b>(32,270,876)</b>	<b>(33,064,043)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		40,000,000.00	45,000,000.00

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Additional borrowings		0	0
Repayment of borrowings		0	0
<b>Net cash flows used in financing activities</b>		<b>40,000,000.00</b>	<b>45,000,000.00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,729,124</b>	<b>11,935,957</b>
Cash and cash equivalents at 1 JULY	15	14,577,253	2,641,296
<b>Cash and cash equivalents at 30 JUNE</b>	15	<b>22,306,377</b>	<b>14,577,253</b>

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**Joseph Mutisya**  
 Ag. Clerk to the County Assembly

\_\_\_\_\_  
**Peter Mbatha**  
 Chief Finance Officer  
 ICPAK Member Number:6996

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**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021.**

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2020/2021	2020/2020	2020/2021	2020/2021	2020/2021
	KShs	KShs	KShs	KShs	
<b>Revenue</b>					
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	50,000,000.00	0	50,000,000.00	40,000,000	80%
Interest income	-	-	-	6,140,441	100%
Other income	-	-	-	-	-
<b>Total income</b>	<b>50,000,000 .00</b>	<b>0</b>	<b>50,000,000.00</b>	<b>46,140,441</b>	<b>80%</b>
<b>Expenses</b>					
Transfer to Reserve fund account	50,000,000.00	-	50,000,000.00	40,000,000	80%
General expenses	-	-	-	11,682	100%
Finance cost	-	-	-	-	-
<b>Total expenditure</b>	<b>50,000,000.00</b>	<b>-</b>	<b>50,000,000.00</b>	<b>40,011,682</b>	<b>80%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,128,759</b>	<b>100%</b>

Failure to absorb all the funds was caused by delayed disbursement of funds from the National Treasury. Kshs.20,000,000 related to the budget year 2020/2021 but was disbursed on 19<sup>th</sup> July 2021 after the close of the financial year



Joseph Mutisya  
 Ag. Clerk to the County Assembly



Peter Mbatha  
 Chief Finance Officer  
 ICPAK Member Number:6996

#### **14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Statement of compliance and basis of preparation**

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

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Adoption of new and revised standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

<b>Standard/ Amendments :</b> <b>Applicable: 1<sup>st</sup> January 2021:</b>	<b>Impact</b>
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

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<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).          Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b>            The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.            IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the entity if relevant)</i></p>

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<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> 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: (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. <i>(State the impact of the standard to the entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2022:</b> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **c) Early adoption of standards**

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

## **3. Revenue recognition**

### **i) Revenue from non-exchange transactions**

#### **Transfers from other government entities**

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

### **ii) Revenue from exchange transactions**

#### ***Interest income***

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

## **4. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly on 30<sup>th</sup> June 2020. No subsequent revisions or additional appropriations were made to the approved budget.

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 reported on accrual basis and the cut-off date was 19<sup>th</sup> July 2021 because of late disbursements by the National Treasury.

#### **5. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

#### **6. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

#### **7. Financial instruments**

##### **a) 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

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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.

**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 an 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 an 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)

***b) 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.

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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.

**8. Inventories**

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

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

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

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

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

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

**9. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic

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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.

**Contingent assets**

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

**10. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. The reserves maintained relate to the retained earnings or surpluses for the previous years.

**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.

### **11. 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.

### **12. 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.

### **13. 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.

### **14. 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.

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Members of key management are regarded as related parties and comprise the directors, the Fund Managers and Fund Accountant.

**15. 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 at Co-operative Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**16. Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The cut-off date for FY 2020/2021 was 19<sup>th</sup> July 2021 as a result of funds that were received on the same date despite being attributable to the budget year 2020/2021.

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Fund established by Machakos County Assembly Service (Car Loan and Mortgage Scheme Fund) Regulations, 2018 whose effective date was 6<sup>th</sup> December 2018. Its ultimate parent is the County Government of Machakos.

**19. Currency**

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

**20. Significant judgments and sources of estimation uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**21. 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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impair ed KShs</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	220,563,479	220,563,479	0.00	0.00
Bank balances	22,306,377	22,306,377	0.00	0.00
<b>Total</b>	<b>242,869,856</b>	<b>242,869,856</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	182,163,844	182,163,844	0.00	0.00
Bank balances	14,577,253	14,577,253	0.00	0.00
<b>Total</b>	<b>196,741,097</b>	<b>196,741,097</b>	<b>0.00</b>	<b>0.00</b>

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 employees who have exited the institution.

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**d) 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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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	KShs	KShs
<b>At 30 June 2021</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
<b>Liabilities</b>			
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
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2020</b>			
Euro	10%	-	-
USD	10%	-	-

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) 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.

**f) 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:

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve	-	-
Revolving fund	224,000,000.00	184,000,000.00
Accumulated surplus	18,869,856	12,741,097
<b>Total funds</b>	<b>242,869,856</b>	<b>196,741,097</b>
Total borrowings	10,000,000	10,000,000
Less: cash and bank balances	22,306,377	14,577,253
Net debt/(excess cash and cash equivalents)	(12,306,377)	(4,577,253)
<b>Gearing</b>		

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**14. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Provide brief explanation for this revenue)

**2. Transfers from County Government**

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**3. Fines, penalties and other levies**

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licences	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Provide brief explanation for this revenue)

**4. Interest income**

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	6,140,441	5,008,371
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	<b>-</b>	<b>-</b>

Interest is charged on outstanding loan balance at a rate of 3% p. a on a reducing balance basis as advised by SRC via Circular SRC/ADM/CIR/1/13/VOL.III (128) dated 17<sup>th</sup> December 2014.

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**5. Other income**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income (specify)	-	-
<b>Total other income</b>	<b>-</b>	<b>-</b>

**6. Fund administration expenses**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**6A. Staff costs**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**7. General expenses**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	11,682	12,600
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	<b>11,682</b>	<b>12,600</b>

**8. Finance costs**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Gain/(loss) on disposal of assets**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

**10. Cash and cash equivalents**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Staff Loans Account	22,306,377	14,577,253
<b>Total cash and cash equivalents</b>	<b>22,306,377</b>	<b>14,577,253</b>

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

<b>Financial institution</b>	<b>Account number</b>	<b>2020/2021</b>	<b>2019/2020</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Co-operative Bank of Kenya		22,306,377	14,577,253
<b>Sub- total</b>		<b>22,306,377</b>	<b>14,577,253</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>22,306,377</b>	<b>14,577,253</b>

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11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	1,769,672	1,368,718
Other exchange debtors	218,793,807	180,795,126
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>220,563,479</b>	<b>182,163,844</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non- current receivables</b>	<b>-</b>	<b>-</b>
<b>Total receivables from exchange transactions</b>	<b>220,563,479</b>	<b>182,163,844</b>

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**12. Receivables from Non-Exchange transaction**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
<b>Total receivables from non-exchange transactions</b>	<b>-</b>	<b>-</b>

**13. Prepayments**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14. Inventories**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>-</b>	<b>-</b>

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15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 <sup>st</sup> July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2020	-	-	-	-	-
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
<b>Depreciation and impairment</b>	-	-	-	-	-
At 1 <sup>st</sup> July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2020	-	-	-	-	-
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

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	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>Net book values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-

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

**16. Intangible assets-software**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
<b>At end of the year</b>	<b>-</b>	<b>-</b>
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
<b>At end of the year</b>	<b>-</b>	<b>-</b>
Impairment loss	-	-
<b>At end of the year</b>	<b>-</b>	<b>-</b>
<b>NBV</b>	<b>-</b>	<b>-</b>

**17. Trade and other payables from exchange transactions**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>-</b>	<b>-</b>

**18. Provisions**

<b>Description</b>	<b>Leave provision</b>	<b>Bonus provision</b>	<b>Other provision</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
<b>Balance at the end of the year (30.06.2021)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**19. Borrowings**

Description	2020/2021	2019/2020
	KShs	KShs
<b>Balance at beginning of the period</b>	10,000,000.00	10,000,000.00
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
<b>Balance at end of the period</b>	<b>10,000,000.00</b>	<b>10,000,000.00</b>

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

Description	2020/2021	2019/2020
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	<b>-</b>	<b>-</b>

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**20. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

The scheme does not have staff who are fully employed for that purpose but relies on the Assembly service hence no staff costs that are charged from the scheme funds.

**21. Cash generated from operations**

	2020/2021	2019/2020
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>	<b>6,128,759</b>	<b>4,995,771</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	(38,399,635)	(38,059,814)
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>(32,270,876)</b>	<b>(33,064,043)</b>

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

**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) County Assembly;
- d) Key management;
- e) Loan Committee

**b) Related party transactions**

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

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**d) Due from related parties**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Court case against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

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**15. 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.

<b>Refer ence No. on the exter nal audit Repo rt</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designat ion)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timefram e: (Put a date when you expect the issue to be resolved)</b>
1	Presentation of Financial Statements	Rectified in amended report. Report was prepared before the reporting template was revised	Mr. Peter Mbatha- Director Finance	Un resolved	December 2022
2	Inaccuracies in the Financial Statements due to 1. Transfers from the county government 2. Accounts Receivables 3. Current Portion of Borrowings 4. Revolving Fund Balance	Transfers from the County Government are treated as capital injection in the revolving fund not as revenue. All the accounts receivable relate to the current portion because they can be cleared any time. The receipt for the reporting period amounted to Ksh.20,000,000 which were Ksh.10,000,000 from the county exchequer account while Ksh.10,000,000 were transfers from the KCB account which constituted funds that had been received the	Mr. Peter Mbatha - Director Finance	Unresolved	December 2022

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<b>Refer ence No. on the exter nal audit Repo rt</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designat ion)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timefram e: (Put a date when you expect the issue to be resolved)</b>
		previous financial year. These transfers have been supported by the bank statement that is attached to the financial statements.			
3	Other Matter 1.Lack of Insurance Arrangements for Loans Advanced	The assembly is in the process of awarding the tender to an insurer.	Mr. Peter Mbatha - Director Finance	Unresolved	December 2022
	2.Unresolved Prior Year Matters	This has been rectified in the amended Financial reports and cleared through senate.	Mr. Peter Mbatha- Director Finance	Resolved	



.....  
**Joseph Mutisya**  
**Ag. Clerk to the County Assembly**


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**16. APPENDIX I: TRIAL BALANCE**

**MACHAKOS COUNTY**  
**ASSEMBLY**  
**STAFF CAR LOAN AND HOUSING SCHEME**  
**FUND**  
**TRIAL BALANCE AS AT 30TH JUNE,2021**

<b>DETAILS</b>	<b>DR</b>	<b>CR</b>
	<b>KSH</b>	<b>KSH</b>
Other Income - Interest		6,140,441
Fringe Benefit Tax	-	
Bank Charges	11,682	
Surplus	-	
Bank Balance	22,306,377	
Outstanding Loans	218,793,807	
Receivables- Loan Recoveries	1,769,672	
Inter Account Borrowing		10,000,000.00
Accumulated Fund Balance B/fwd		226,741,097
	<b>242,881,538</b>	<b>242,881,538</b>

  
\_\_\_\_\_  
**Joseph Mutisya**  
Ag. Clerk to the County Assembly

  
\_\_\_\_\_  
**Peter Mbatha**  
Chief Finance Officer  
ICPAK Member Number:6996

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