

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

**MURANG'A COUNTY ASSEMBLY
CAR AND MORTGAGE LOAN
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**



MURANG'A COUNTY ASSEMBLY

P. O. Box 731 – 10200

MURANG'A

Twitter: @Murangaassembly
Facebook: Muranga County Assembly

Along Kiriaini Rd, Opposite Ihura Stadium
Email: clerk@assembly.muranga.go.ke
Tel: 0719 – 802 497

OUR REF: MCA/FIN/030/61

DATE: December 14, 2020

The Auditor General
The Office of Auditor General
Central Hub
P.O. Box 267
NYERI

REF: REPORT AND FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2020

Pursuant to Section 167 of the Public Finance Management Act No. 18 of 2018, please find the enclosed reports and financial statements for the period ending June 30 2020.

W. Kuria Thuita
Clerk County Assembly



**MURANG'A COUNTY ASSEMBLY CAR LOAN AND MORTGAGE
SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



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**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Murang'a County Assembly Car loan and Mortgage (Members) and Murang'a County Assembly Car loan and Mortgage (Staff) Scheme Funds are established pursuant to Section 116 of the Public Finance Management Act, No. 18 of 2012 and derive their authority and accountability from Regulation 6 of the Public Finance Management (Murang'a County Assembly Car Loan (Members Scheme Fund) Regulations, 2014 dated 31st December 2014 and the Public Finance Management (Murang'a County Assembly Car Loan (Staff Scheme Fund) Regulations, 2017 on 1st September 2017.

The Funds are wholly owned by the County Government of Murang'a and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

c) Board of Trustees

Ref	Name	Position
1	Hon. Leonard Nduati Kariuki	Chairperson
2	Hon. Erick Kamande Kimani	Member
3	Hon. Pelagiah Muthoni Maina	Member
4	Hon. Catherine Wairimu Mugo	Member
5	Hon. Peter Njuguna Kimani	Member
6	W. Kuria Thuita	Secretary/ Clerk of the Assembly

d) Key Management

Ref	Name	Position
1	Hon. Erick Kamande Kimani	Chairperson
2	Hon. David Irungu Macharia	Vice Chairperson
3	Hon. Simon Mwaura Wamwea	Member
4	Hon. Lilian Nyaguthii Kabaya	Member
5	Hon. Eunice Nduta Kariuki	Member
6	W. Kuria Thuita	Clerk of the County Assembly

**Murang'a County Assembly Car and Mortgage Scheme Fund
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For the year ended June 30, 2020**

e) Registered Offices

Murang'a County Assembly
P.O. Box 731-10200 Murang'a
Along Murang'a- Kiria-ini Road

f) Fund Contacts

Telephone: (254) 709802497
E-mail: murangacountyassembly@gmail.com
Website: www.assembly.muranga.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Murang'a Branch
P.O. Box 112-10200
Murang'a, Kenya
3. Family Bank
Murang'a Branch
P.O. Box 82-10200
Murang'a, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

2. THE BOARD MEMBERS

Name	Details of qualifications and experience
 <p>Hon. Leonard Nduati Kariuki, DSM, HSC, MCA. Speaker of the County Assembly and Chair of the County Assembly Service Board.</p>	<p>Hon. Leonard Nduati Kariuki is the second term Speaker of Murang'a County Assembly and the Chair of the Murang'a County Assembly Service Board. He holds a B.A in Land Economics from the University of Nairobi. He is a land economist by profession and a Member of the Institute of Surveyors of Kenya (ISK).</p> <p>He was the First Chair of the Constituency Development Fund(CDF) from 2003-2008, a role that involved management of its committees and establishment of systems and structures guided by the Constituency Development Act, 2003</p> <p>Hon. Nduati Kariuki has been a two term Member of Parliament for Makuyu Constituency in Murang'a County and a former Assistant Minister for Finance and Agriculture.</p>
 <p>Hon. Erick Kamande Kimani, MCA, Kahumbu Ward, Leader of the Majority Party.</p>	<p>Hon. Erick Kimani Kamande is an elected Member of the County Assembly representing Kahumbu Ward, the Leader of the Majority Party in the Assembly and a Member of the Murang'a County Assembly Service Board.</p> <p>He holds vast experience having been a Member of the First County Assembly of Murang'a and the Chair of the Public Accounts and Investment Committee of the First Assembly. He is a trained accountant and holds a Diploma in Business Management.</p>
 <p>Hon. Pelagiah Muthoni Maina, MCA Kakuzi Mitumbiri Ward</p>	<p>Hon. Pelagiah Muthoni Maina is an elected Member of the County Assembly representing Kakuzi Mitumbiri Ward and a Member of the Murang'a County Assembly Service Board.</p> <p>She is an IT expert and an approved ISO certified auditor with over 23 years of proven experience and visionary leadership. She has vast experience gained from recognized audit and management institutions she has previously served.</p> <p>Hon. Pelagiah Muthoni Maina was instrumental in the formulation and review of the strategic plan for the Kenya Accountants and Secretaries National Examination Board (KASNEB) among other institutions of repute.</p>

**Murang'a County Assembly Car and Mortgage Scheme Fund
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For the year ended June 30, 2020**



**Hon. Catherine
Wairimu Mugo**

Hon. Catherine Wairimu Mugo is a resident of Murang'a County and a Member of the Murang'a County Assembly Service Board. She holds a Bachelor of Social Legislation, a Bachelor of Law and a post graduate Diploma in law from the Kenya School of Law. She is an Advocate with over ten (10) years post admission experience, a former Member of the First County Assembly of Murang'a and a former Member of the Speaker's panel. She possesses good knowledge in public affairs, public participation, Assembly procedures, structures and statues relating to the County Government.



**Hon. Peter Njuguna
Kimani**

Hon. Peter Njuguna Kimani is a Kenyan national and a resident of Murang'a County. He holds a Master of Law Degree from the University of Nairobi, with special bias in democracy and governance.

He is an Advocate with a good background in legal practice, but over time, building capacity and interest in socio-economic development, governance and agribusiness. He previously served as a Member of the First County Assembly Service Board of Murang'a for a period of four and a half years where he greatly assisted the Assembly in legal matters. He is also the former managing director of the Kenya Planters Co-operative Union (KPCU) an apex body of Kenya planters with networks and branches all over the Country.

He has deliberately devoted part of his life to community development especially in areas of education for the less privileged, youth, career coaching and Christian ministry.



**W. Kuria Thuita
Clerk of the County
Assembly**

Mr. W. Kuria Thuita is the Clerk of the County Assembly of Murang'a since September 15, 2020. He is the accounting officer, the Chief Executive Officer and the Secretary to the County Assembly Service Board. He is the Chief Advisor to the Speaker on Legislative procedures and practices.

He is an Advocate of the High Court of Kenya currently undertaking his Masters of Law, holds a Post Graduate Diploma in Law, a Bachelor of Laws and Diploma in Information Technology.

He has worked as an Assistant Administrator in Athi River Construction Company, Credit Administrator in Equity Bank Ltd, Chief Administrative Officer in Athi River Construction Company, Sub County Administrator at Murang'a County Government and previously before his appointment as the Deputy County Secretary, Murang'a County Government.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Murang'a County Assembly Car and Mortgage Scheme's 2018-2022 plan are to:

- a) Provide a loan scheme for the purchase of vehicles by Members of the scheme
- b) Provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.




Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of loan to members for the purchase of vehicles.	To provide a loan scheme for the purchase of vehicles by Members of the scheme.	Increased efficient transportation of members & time management by members and staff.	Increased in the % of motorable & passable roads within the County.	In FY 2019/2020 one member acquired car loan facility.
Provision of loan for purchase, development, renovation or repair of residential property by the members of the scheme.	To provide loan for purchase, development, renovation or repair of residential property by the members of the scheme.	Increased housing facility for both members & staff of the Murang'a County Assembly.	Increased number of members with the residential facilities.	In FY 2019/2020 a total of ten (members & staff) benefited from the mortgage facility.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

4. MANAGEMENT TEAM

Name	Details of qualification and experience
 <p>Hon Erick Kamande Kimani, MCA, Kahumbu Ward, Leader of Majority</p>	<p>Hon. Erick Kimani Kamande is the Chair of the Car Loan and Mortgage Committee. He is an elected Member of the County Assembly representing Kahumbu Ward, the Leader of the Majority Party in the Assembly and the Vice Chair of the Murang'a County Assembly Service Board.</p> <p>He holds vast experience having been a Member of the First County Assembly of Murang'a and the Chair of the Public Accounts and Investment Committee of the First Assembly. He is a trained accountant and holds a Diploma in Business Management.</p>
 <p>Hon. David Irungu Macharia, MCA, Kambiti Ward</p>	<p>Hon. David Irungu Macharia is the Vice Chair of the Car Loan and Mortgage Committee.</p> <p>He is an elected Member of the County Assembly representing Kambiti Ward. He previously worked as a teacher and holds a Diploma in Civil Engineering from Western College of Arts and Applied Sciences, a Diploma in Business Management and a Certificate in Information Technology.</p>
 <p>Hon. Simon Mwaura Wamwea, MCA, Ng'araria Ward and the Chief Whip</p>	<p>Hon. Simon Mwaura Wamwea is a Member of the Car Loan and Mortgage Committee and the Chief Whip.</p> <p>He is an elected Member of the County Assembly representing Ng'araria Ward. He holds a Diploma in Theology, a Diploma in Management and a Certificate in Computer Studies.</p> <p>He was the former councilor representing Ng'araria under the defunct local government system and previously worked as a Member of the Community Development fund in Gatanga Constituency, Murang'a County.</p>

**Murang'a County Assembly Car and Mortgage Scheme Fund
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**Hon. Lilian Nyaguthii
Kabaya, Nominated
MCA**

Hon. Lilian Nyaguthii Kabaya is a nominated Member of the County Assembly and a Member of the Car Loan and Mortgage Committee. She holds a Master of Law Degree in Commercial and Corporate Law from the University of London, a Bachelor of Laws degree from the University of Nairobi; she is a Certified Public Secretary and a Certified Public Accountant. She has gained great experience over time in merger acquisitions and private equity covering both private and public organizations in local and regional markets.



**Hon. Eunice Nduta
Kariuki, Nominated
MCA**

Hon. Eunice Nduta Kariuki is a Nominated Member of the County Assembly and a Member of the Car Loan and Mortgage Committee. She holds various certificates in governance and women empowerment programs from among other institutions the Education Center for Women in Democracy.



**W. Kuria Thuita Clerk
of the County Assembly
and Secretary to the Car
Loan Mortgage
Committee**

Mr. W. Kuria Thuita is the Clerk of the County Assembly of Murang'a since September 15, 2020. He is the accounting officer, the Chief Executive Officer and the Secretary to the County Assembly Service Board. He is the Chief Advisor to the Speaker on Legislative procedures and practices.

He is an Advocate of the High Court of Kenya currently undertaking his Masters of Law, holds a Post Graduate Diploma in Law, a Bachelor of Laws and Diploma in Information Technology.

He has worked as an Assistant Administrator in Athi River Construction Company, Credit Administrator in Equity Bank Ltd, Chief Administrative Officer in Athi River Construction Company, Sub County Administrator at Murang'a County Government and previously before his appointment as the Deputy County Secretary, Murang'a County Government.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

5. BOARD/FUND CHAIRPERSON'S REPORT

The County Assembly established the Car and Mortgage Scheme for its members and staff. During the period ending June 30, 2020 the Scheme approved budget was Kshs. 50,000,000.

In the second Assembly the Murang'a County Assembly Service Board approved the appointment of the following members of the Board.

Ref	Name	Position
1	Hon. Leonard Nduati Kariuki	Chairperson
2	Hon. Erick Kimani Kamande	Vice Chairperson
3	Mr. Peter Kimani Njuguna	Member
4	Hon. Catherine Wairimu Mugo	Member
5	Hon. Pelagiah Muthoni Maina	Member
6	W. Kuria Thuita	Secretary/ Clerk of the Assembly

There has been a change in the composition of the Board and Management team as the former Secretary/Clerk of the Assembly, Mr. Chris Kinyanjui resigned effective October 1, 2019. Madam Annie Macharia took over as the Secretary/Clerk of the Assembly from October 1, 2019 to September 14, 2020. Mr. W. Kuria Thuita was appointed as the new Secretary/Clerk of the Assembly effective September 15, 2020. The Secretary/Clerk of the Assembly is one of the signatories and hence the changes indicate who one of the signatories was at different times.

The performance of the fund has been moderate as the Fund does not have the capacity to advance Mortgage and Car Loan facilities to all members when they report due to lack of enough funds. The Fund is also not able to meet the demands by staff who want the facilities due to unavailability of funds. This leads to delay and reduction of the benefits due to passage of time.

The future outlook of the fund involves ensuring recovery of all the money advanced to members by May 2022 before their term ends. This will enable the Assembly to give Mortgage and Car Loans to the new members who will report in September 2022. The Board/Management Team also intends to give facilities to more staff who have not benefited from the fund. The Board/Management Team will also continue budgeting for more money to increase the worth of the fund and hope that the same will be released to be able to effectively cater for Members and Staff as this is a benefit they are entitled to. The Assembly has tried its best to manage the Fund and to balance the interest of members and staff. The Assembly hopes that more money will be released to the Fund so that everybody can benefit.

Signed: 

Hon. Leonard Nduati Kariuki
Chairperson of the Board

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

6. REPORT OF THE FUND ADMINISTRATOR

The County Assembly established the Car and Mortgage Scheme fund for its members and staff. The fund is established Pursuant to Section 116 of the Public Finance Management Act and the following Regulations that govern the fund:

- i) The Public Finance Management (Murang'a County Assembly members mortgage scheme fund regulations, 2014
- ii) The Public Finance Management (Murang'a County Assembly members' car loan scheme fund regulations, 2014
- iii) The Public Finance Management (Murang'a County Assembly mortgage (staff) scheme fund regulations, 2017
- iv) The Public Finance Management (Murang'a County Assembly car loan (staff) scheme fund regulations, 2017

The County Assembly established the Car and Mortgage Scheme for its members and staff. During the period ending June 30, 2020 the Scheme approved budget was Kshs 50,000,000.

Signed: _____



W. Kuria Thuita

Secretary/ Clerk of the Assembly

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

7. CORPORATE GOVERNANCE STATEMENT

Loan and Mortgage Management Committee meeting and the attendance for the period ending June 30, 2020.

Name	Position	No. of meeting held	No. of meeting present	No. of meeting absent
Hon. Erick Kimani Kamande	Chairperson	35	33	2
Hon. Simon Wamwea Mwaura	Member	35	35	0
Hon. David Irungu Macharia	Member	35	35	0
Hon. Eunice Kariuki Nduta	Member	35	34	1
Hon. Lilian Nyaguthii Kabaya	Member	35	34	1
Annie Ngatha Macharia	Ag. Secretary	35	35	0

The succession plan is with regards to the composition of the Board of Trustees/Management team which is dependent on the political cycle. Section 12 (5) and (6) of the County Government Act Provides that:

(5) A member of the county assembly service board shall vacate office—

(a) if the person is a member of the county assembly—

(i) at the end of the term of the county assembly; or

(ii) if the person ceases to be a member of the county assembly; or

(b) if the person is an appointed member, on revocation of the person's appointment by the county assembly; or

(c) if the person is the Speaker, when the person ceases to be such Speaker.

(6) Despite subsection (5), when the term of the county assembly ends, a member of the county assembly service board under subsection (3)(d) shall continue in office until a new member has assumed office in the member's place in the next assembly.

With regards to the Management Team, the composition is made up of Members of the County Assembly and hence the management team is dissolved when their term ends. In the event that any changes occur within the five-year period, the new member(s) is properly inducted to understand how

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

the fund operates and his/her role. When the new Members of the County Assembly report, the Board shall approve appointment of new members to the Management Team.

The roles and functions of the Board are stipulated under Section 12 (7) of the County Government Act and Section 11 of the County Assembly Services Act respectively as shown below:

(7) The county assembly service board is responsible for—

- (a) providing services and facilities to ensure the efficient and effective functioning of the county assembly;
- (b) constituting offices in the county assembly service, and appointing and supervising office holders;
- (c) preparing annual estimates of expenditure of the county assembly service and submitting them to the county assembly for approval, and exercising budgetary control over the service;
- (d) undertaking, singly or jointly with other relevant organizations, programmes to promote the ideals of parliamentary democracy; and
- (e) performing other functions—
 - (i) necessary for the well-being of the members and staff of the county assembly; or
 - (ii) prescribed by national legislation

11. Functions of the Board

(1) The Board shall—

- (a) direct and supervise the administration of the services and facilities provided by, and exercise budgetary control over, the Service;
- (b) determine and review the terms and conditions of service of persons holding or acting in the offices of the Service;
- (c) initiate, co-ordinate and harmonize policies and strategies relating to the development of the Service;
- (d) initiate programmes—
 - (i) for training and capacity building of members and staff of the county assembly and other persons;
 - (ii) that promote ideals of parliamentary democracy as set out in Article 127(6)(d) of the Constitution; and
 - (iii) that promote public awareness and participation in the activities of the county assembly; and
- (e) do such other things as may be necessary for the well-being of the members and staff of the county assembly.

(2) In the performance of its functions under this Act, the Board shall apply—

- (a) the national values and principles of governance set out in Article 10 of the Constitution; and
- (b) the values and principles of public service set out in Article 232(1) of the Constitution.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

8. MANAGEMENT DISCUSSION AND ANALYSIS

Murang'a County Assembly Car loan and Mortgage (Members) and Murang'a County Assembly Car loan and Mortgage (Staff) Scheme Funds are established by and derive their authority and accountability from Regulation 6 of the Public Finance Management (Murang'a County Assembly Car Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014 and the Public Finance Management (Murang'a County Assembly Car Loan (Staff Scheme Fund) Regulations, 2017 on 1st September 2017. The Fund is wholly owned by the County Government of Murang'a and is domiciled in Kenya.

The management committee allocated funds to members considering;

- a) Duly filled application forms,
- b) Amount applied for by the member,
- c) A summarized assessment of the members' repayment capability,
- d) A security provided and forced sale value of such security. (The committee resolved that only valid certificates of title, either leasehold or freehold shall be accepted), and
- e) Duly executed transfer forms in favour of the County Assembly Service Board.

All the loans have been secured with title deeds, log books or leasehold properties certificates. All the car loans and mortgages have been insured. The insurance covers the following risks among others: loss of seat pursuant to Article 194 of the Constitution of Kenya, death and permanent disability. As a provisional measure, the committee retains 3 percent of the loan amount for the purposes of procuring the insurance cover.

The committee has faced some challenges in the management of the car loan and mortgage:

- a) Inadequate understanding by members on the need to provide security for the loans.
- b) Inadequate awareness by the members on the procedure for applications of the loans.
- c) Inadequate skills of secretariat with regards to managing the accounts and books of the committee. The secretariat has had to learn most of the things on the job as there was no reference point for most of the questions/ challenges the secretariat is faced with.
- d) Inadequate understanding by members on the mortgage process and the need to take time to establish uniform laid down procedures from the start to the end of the entire car loan/ mortgage process.
- e) Lack of adequate funds. The fund requires at least Kshs. 300,000,000 in order to be able to cater for all the members of the scheme.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

9. CORPORATE SOCIAL RESPONSIBILITY /SUSTAINABILITY STATEMENT

Murang'a County Assembly car and mortgage scheme fund exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on our pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar;

- (i) Sustainability strategy and profile;
- (ii) Environmental performance;
- (iii) Employee welfare;
- (iv) Market place practices; and
- (v) Community Engagements.

During the reporting period, the fund trained the staff included in the management and the loan management committee. However, due to budgetary constraints no other Corporate Social Responsibility activities were undertaken.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity/mission/ mandate of the Fund is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

Results

The results of the Fund for the financial year ended June 30, 2020 are set out on page 1 to 5.

Trustees

In the second Assembly the Murang'a County Assembly Service Board approved the appointment of the following members of the Board:

The members of the Board of Trustees who served during the year are shown on page (iii). There were no changes in the Board during the financial year ended June 2020.

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 Board:



Member of the Board

14/12/2020

Date

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Public Finance Management (Murang'a County Assembly Car and mortgage Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

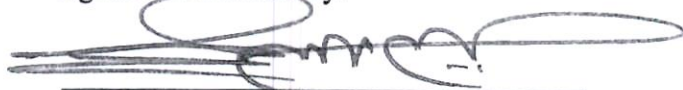
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which gives a true and fair view of the state of affairs of the Fund for and as at the end of the period ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Public Finance Management (Murang'a County Assembly Car and mortgage Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014.. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the period ended June 30, 2020, 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 Board on 14/12/2020 and signed on its behalf by:



**W. Kuria Thuita
Administrator of the 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 MURANG'A COUNTY ASSEMBLY CAR AND MORTGAGE LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Murang'a County Assembly Car and Mortgage Loan Scheme Fund set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Murang'a County Assembly Car Loan and Mortgage Scheme Fund as at 30 June, 2020, 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.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a County Assembly Car and Mortgage Loan 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 opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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

Irregular Consolidation of Four Separate Funds

As previously reported, Murang'a County Assembly established four separate Funds as follows:

- i. County Assembly Members Car Loan Scheme Fund vide Legal Notice No. 1 of 2014;
- ii. County Assembly Members Mortgage Scheme Fund vide Legal Notice No. 2 of 2014;
- iii. Murang'a County Assembly Mortgage Staff Scheme Fund vide Legal Notice No. 2 of 2017; and
- iv. Murang'a County Assembly Car Loan (Staff) Scheme Fund vide Legal Notice No. 3 of 2017.

However, the Fund Management prepared and submitted to the Auditor-General one set of financial statements of the Funds for the year ended 30 June, 2020, thereby consolidating the financial transactions of the Funds. Although, the operations of the four Funds are not distinct, no legislation has been passed for the consolidation of the four Funds.

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, except for the matter described in the Basis on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Fully Secure Loan Against Collateral

The statement of financial position as at 30 June, 2020 reflects long term receivables from exchange transactions of Kshs.139,522,066. Included in the balance is an amount of Kshs.1,150,000 loan advance to one member of the County Assembly. However, the title deed presented to secure the loan was charged to secure an amount of Kshs.150,000. In case of default, the Assembly is at risk of losing Kshs.1,000,000 that is not covered by the security offered. No explanation was provided for the failure to fully secure the loan with an asset of equivalent or higher value.

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 processes and systems of internal control, risk management and 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 the intention to abolish 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 overall 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 Fund's policies and procedures may deteriorate.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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13. FINANCIAL STATEMENTS

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30 JUNE
2020**

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	6,109,814	5,835,001
Other income	5	-	1,921,892
Total revenue		6,109,814	7,756,893
Expenses			
Fund administration expenses	6	2,045,600	3,737,248
Staff Costs	7	-	-
General expenses	8	896,518	2,113,835
Finance costs	9	-	-
Total expenses		2,942,118	5,851,083
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		3,167,696	1,905,810

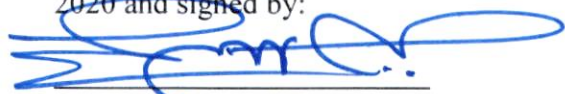
The notes set out on pages 21 to 29 form an integral part of these Financial Statements.

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13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	59,510,029	4,364,921
Current portion of long- term receivables from exchange transactions	12	69,925,613	78,137,385
Prepayments	13	-	-
Inventories	14	-	-
Total Current assets		129,435,642	82,502,306
Non-current assets			
Long term receivables from exchange transactions	12	139,522,066	160,248,529
Total Non-current assets		139,522,066	160,248,529
Total assets		268,957,708	242,750,835
Liabilities			
Current liabilities			
Cash and cash equivalents	11	-	11,551,778
Trade and other payables from exchange transactions	15	5,512,653	5,910,888
Current employee benefit obligation	16	-	-
Total Current liabilities		5,512,653	17,462,666
Non-current liabilities			
Non-current employee benefit obligation	16	-	-
Total liabilities		5,512,653	5,910,888
Net assets		263,445,055	225,288,169
Revolving Fund		250,330,743	215,341,552
Reserves		-	-
Accumulated surplus		13,114,313	9,946,617
Total net assets and liabilities		263,445,055	225,288,169

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 14/12/2020 2020 and signed by:



**Administrator of the Fund
W. Kuria Thuita**



**Fund Accountant
David Mwangi
ICPAK Number: 9322**

**Murang'a County Assembly Car and Mortgage Scheme Fund
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13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	195,341,552	-	8,040,807	203,382,359
Surplus/(deficit) for the period	-	-	1,905,810	1,905,810
Funds received during the year	20,000,000	-	-	20,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	215,341,552	-	9,946,617	225,288,169
				-
Balance as at 1 July 2019	215,341,552	-	9,946,617	225,288,169
Surplus/(deficit) for the period	-	-	3,167,696	3,167,696
Funds received during the year	34,989,191	-	-	34,989,191
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	250,330,743	-	13,114,313	263,445,055

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13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	6,109,814	5,835,001
Receipts from other operating activities	5	-	1,921,892
Total Receipts		6,109,814	7,756,893
Payments			
Fund administration expenses	6	2,045,600	3,737,248
General expenses	8	896,518	2,113,835
Finance cost	9	-	-
Total Payments		2,942,118	5,851,083
Net cash flows from operating activities	21	3,167,696	1,905,810
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments		61,400,720	41,409,726
Loan disbursements paid out		-29,040,108	- 60,861,685
Net cash flows used in investing activities		32,360,612	- 19,451,959
Cash flows from financing activities			
Proceeds from revolving fund receipts		34,989,191	20,000,000
Additional borrowings		-	-
Changes in refundable deposits		-3,820,613	531,349
Net cash flows used in financing activities		31,168,578	20,531,349
Net increase/(decrease) in cash and cash equivalents		66,696,886	2,985,200
Cash and cash equivalents at 1 JULY	11	- 7,186,058	-10,172,058
Cash and cash equivalents at 30 JUNE	11	59,510,028	-7,186,858

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13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR PERIOD ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	-	-	-	-	
Interest income	6,200,000	-	6,200,000	6,109,814	90,186	99%
Other income	-	-	-	-	-	
Total income	6,200,000	-	6,200,000	6,109,814	90,816	
Expenses						
Fund administration expenses	2,100,000	-	2,100,000	2,045,600	54,400	97%
General expenses	900,000	-	900,000	896,518	3,482	100%
Finance cost	-	-	-	-	-	
Total expenditure	3,000,000	-	3,000,000	2,942,118	57,882	98%
Surplus for the period	3,200,000	-	3,200,000	3,167,696	32,304	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: •Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; •Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

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Standard	Effective date and impact:
	<p>•Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. 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 c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.

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

c) Early adoption of standards

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 2019/2020 was approved by the County Assembly on 25th June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. 34,989,191 on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an 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)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

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 held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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.

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 Public Finance Management (Murang'a County Assembly Members Car and Mortgage Loan Scheme Fund) Regulations, 2014 under the Ministry of Devolution and planning. Its ultimate parent is the County Government of Murang'a.

19. Currency

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

**Murang'a County Assembly Car and Mortgage Scheme Fund
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	209,447,679	209,447,679	-	-
Receivables from non -exchange transactions	-	-	-	-
Bank balances	59,510,029	59,510,029	-	-
Total	268,957,708	268,957,708	-	-
At 30 June 2018				
Receivables from exchange transactions	238,385,914	238,385,914	-	-
Receivables from non - exchange transactions	-	-	-	-
Bank balances	-7,186,858	-7,186,858	-	-
Total	231,199,056	231,199,056	-	-

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 xxxx

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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SUMMARY OF 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.

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
2020			
Euro	10%	-	-
USD	10%	-	-
2019			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	250,330,743	215,341,552
Accumulated surplus	13,114,313	9,946,616
Total funds	263,445,313	225,288,168
Total borrowings	-	-
Less: cash and bank balances	59,510,029	-7,186,858
Net debt/(excess cash and cash equivalents)	-59,510,029	7,186,858
Gearing	-	-

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13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Members Mortgage	2,157,881	2,086,037
Interest income from Staff Mortgage	3,343,790	3,107,340
Interest income from car loans	608,143	641,624
Total interest income	6,109,814	5,835,001

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5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Professional services recoveries	-	1,908,948
Miscellaneous income	-	12,944
Total other income	-	1,921,892

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	1,908,948
Administration fees	2,045,600	1,828,300
Total	2,045,600	3,737,248

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

**Murang'a County Assembly Car and Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Insurance costs	871,203	2,090,275
Printing and stationery	13,480	-
Rental costs	-	-
Bank Charges	11,835	23,560
Other expenses	-	-
Total	896,518	2,113,835

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts		
Interest on loans from banks		
Total		

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total		

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	59,510,029	-7,186,857
Others	-	-
Total cash and cash equivalents	59,510,029	-7,186,857

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
b) On - call deposits			
c) Current account			
Kenya Commercial bank	1167298535	7,129,582	3,987,088
Family bank	6000027988	51,973,997	-5,921,747
Kenya Commercial bank	1167298179	156	-5,630,031
Jamii Bora bank	30317342001	-	8,824
Jamii Bora bank	30317342002	-	-
Kenya Commercial bank	1167297733	406,294	369,009
Sub-total		59,510,029	-7,186,858
d) Others(specify)			
Grand total		59,510,029	-7,186,858

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	6,921,428	6,601,584
Current Members Mortgage repayments due	31,849,725	29,812,256
Current Members Staff repayments due	8,803,257	10,437,399
Current Car Loan repayments due	8,549,829	8,448,072
Other exchange debtors	13,801,374	22,838,074
Less: impairment allowance	-	-
Total Current receivables	69,925,613	78,137,385
Non-Current receivables		
Long term Members Mortgage repayments due	26,252,583	51,144,271
Long term Members Staff repayments due	106,432,176	94,552,489
Long term Car Loan repayments due	6,837,307	14,551,769
Total Non- current receivables	139,522,066	160,248,529
Total receivables from exchange transactions	209,447,679	238,385,914

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Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	6,921,428	6,601,584
Current loan repayments due	6,921,428	6,601,584
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

13. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

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15. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	3,820,613
Accrued insurance costs	5,512,653	2,090,275
Other payables	-	-
Total trade and other payables	5,512,653	5,910,888

16. 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	-	-	-	-
Total employee benefits obligation	-	-	-	-

17. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	3,167,696	1,905,810
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	3,167,696	1,905,810

**Murang'a County Assembly Car and Mortgage Scheme Fund
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18. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	34,989,191	20,000,000
Transfers to related parties	-	-

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	-	
Key Management Compensation	-	
Total	-	

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry		
Due from County Government		
Total		

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Total		

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14. 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.

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1	<p>Accuracy of the Financial Statements The financial statements for the year ended 30 June 2019 were not supported by trial balance and journal vouchers in preparing the revised financial statements. Under the circumstances, the accuracy of the financial statements as at 30 June 2019 could not be confirmed.</p>	<p>The trial balance and journal vouchers supporting the financial statements are available for audit review.</p>	Isaac Bubiru - DFA	Resolved	N/A
2	<p>Loan processing costs Disclosed under Note 6 to the financial statements is an expenditure relating to loan processing costs totalling Kshs. 1,848,300 which however is at variance with ledger and payment vouchers for the period amounting to Kshs. 1,828,300 leading to unexplained difference of Kshs. 20,000. Consequently, the accuracy of the loan processing costs of Kshs. 1,848,300 could not be confirmed.</p>	<p>The difference of Kshs. 20,000 between Kshs. 1,848,300 and Kshs. 1,828,300 were reconciled and corrected. The financial statement was restated to read Kshs. 1,828,300 as a loan processing cost.</p>	Isaac Bubiru - DFA	Resolved	N/A
3	<p>Cash and Cash equivalents The statement of financial position reflects cash and cash equivalents debit balance of Kshs. 7,206,858 out of which a debit balance of Kshs. 5,630,031 relates to bank balance at Kenya Commercial Bank account number 1167298179. However, the</p>	<p>The financial statement reflects cash and cash equivalents debit balance of Kshs. 7,206,858 out of which a debit balance of Kshs. 5,630,031 relates to bank balance at Kenya Commercial Bank account number</p>	David Mwangi - PAC	Resolved	N/A

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	<p>bank statement and bank confirmation certificate reflected a balance of Kshs. 1,221. Further, the bank reconciliation statement include receipt in cash book not in bank statement of Kshs. 4,264,726 which was not supported. In addition, bank overdraft (credit balances was offset from the other debit bank balances instead of disclosing the balance as a separate line item in the financial statements as required by IPSAS 2. Consequently, the accuracy and completeness of cash and cash equivalents balances of Kshs. (7,206,858) as at 30 June 2019 could not be ascertained.</p>	<p>1167298179. The bank confirmation certificate reflected a balance of Kshs. 1,221 which results to a variance of Kshs. 5,628,810.</p> <p>Kshs. 5,628,810 was the unpaid monthly repayments recovered from loan beneficiaries.</p> <p>The bank reconciliation statement include receipt in cash book not in bank statement of Kshs. 4,264,726 have been supported.</p>			
4	<p>Irregular consolidation of four separate Funds</p> <p>As previously reported, Murang'a County Assembly established four separate funds as follows:</p> <ul style="list-style-type: none"> (i) County Assembly Members Car Loan Scheme Fund vide Legal Notice No. 1 of 2014; (ii) County Assembly Members Mortgage Scheme Fund vide Legal Notice No. 2 of 2014; (iii) Murang'a County Assembly Mortgage (Staff) Scheme Fund vide Legal Notice No. 2 of 2017; (iv) Murang'a County Assembly Car Loan (Staff) Scheme Fund vide Legal Notice No. 3 of 2017; <p>The fund management, however, prepared and submitted to the Auditor General one set of financial statements of the funds for the year ended 30 June 2019, thereby consolidating the financial transactions of the funds. Although, the operations of the four funds are not distinct, no legislation has been passed for the consolidation of the four funds.</p>	<p>Murang'a County Assembly has a Bill in process to have two Acts:</p> <ul style="list-style-type: none"> (i) County Assembly Members Car Loan and Mortgage Scheme Fund and (ii) County Assembly Staff Car Loan and Mortgage Scheme Fund. 	Annie Macharia - DCCA	Not Resolved	30/12/2020