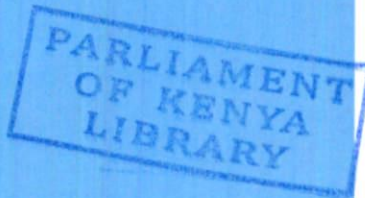


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REPUBLIC OF KENYA



*Enhancing Accountability*



## REPORT

PAPERS LAID	
DATE	05/05/2022
TABLED BY	Sen. Falhady
COMMITTEE	Education
CLERK AT THE TABLE	<i>[Signature]</i>

OF

**THE AUDITOR-GENERAL**

ON

**NYAMIRA COUNTY ASSEMBLY CAR AND  
MORTGAGE LOAN SCHEME FUND**

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





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**THE NYAMIRA COUNTY ASSEMBLY CAR & MORTGAGE LOAN  
SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
For the year ended 30<sup>th</sup> June, 2020

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**The Nyamira County Assembly Car & Mortgage Loan Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**2. Background information**

The Nyamira County Assembly Car & Mortgage Loan Scheme Fund is established by Section 116 of the PFM Act and derives its authority and accountability from Public Finance Management Act, 2012. The fund became operational vide Nyamira County Gazette Supplement No.2 of 21<sup>st</sup> March, 2014 and was further amended in 2017. The Fund is wholly owned by the County Government of Nyamira and is domiciled in Kenya.

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

**3. Principal Activities**

The principal activity of the Fund is to provide loan scheme to the members.

**4. Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon. Robinson Mocheche	Chairman
2	Hon. Charles Mokaya Maroko	Vice-Chairperson
3	Hon. Callen Atuya	Member
4	Hon. Richard Nixon Onyinkwa	Member
5	Hon. Thaddeus Nyabaro	Member
6	Duke Onyari	Fund Administrator
7	CPA Leonard Nyamasege	Member
8	Jared Mecha	Member
9	David Nyaberi	Member
10	CPA Evelyne Kiage	Member

In March 2020, the Fund administration committee membership was changed to conform with the amended regulations. Hon. Robinson Mocheche, the Chairs of Chairs took over from Hon. Charles Maroko. Hon. Duke Omoti was dropped as a member of the committee.

**The Nyamira County Assembly Car & Mortgage Loan Scheme Fund  
Reports and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

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**a) Registered Offices**

P.O. Box 590 – 40500  
Former Nyamira Town Council Building  
Nyamira, KENYA

**b) Fund Contacts**

Telephone: (254) 701967200  
E-mail: [info@nyamiraassembly.go.ke](mailto:info@nyamiraassembly.go.ke)  
Website: [www.nyamiraassembly.go.ke](http://www.nyamiraassembly.go.ke)

**c) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
  
2. Family Bank  
Nyamira branch  
P.O Box -40500  
Nyamira, Kenya.

**d) Independent Auditors**

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

**e) Principal Legal Adviser**

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

**The Nyamira County Assembly Car & Mortgage Loan Scheme Fund  
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For the year ended 30<sup>th</sup> June, 2020**

**1. COUNTY ASSEMBLY OF NYAMIRA SERVICE BOARD**

The County Assembly Service Board (CASB) oversees the overall performance of the management committee. The current CASB as constituted comprises of the following Members.



**CPA. Hon. Moffat Machogu Teya  
Chairman – CASB**

CPA. Hon. Moffat Machogu Teya is the Chairman of the County Assembly Service Board (CASB). He was elected as the third Speaker of Nyamira County Assembly on 7<sup>th</sup> September, 2017. Hon. Teya served as a branch manager of Heritage Insurance, Kisii Branch before his election as the Speaker of Nyamira County Assembly. He is the current and First Chairman of The Lake Region Economic Block Speakers' Caucus. He holds a Bachelor of Commerce degree from the University of Nairobi and he is pursuing MBA at Kisii University. He is a Certified Public Accountant (CPAK) and Advanced Chartered Insurance Institute (ACII).

CPA. Hon. Teya is a Church Elder and loves singing gospel music and enjoys playing soccer.



**Hon. Charles Keganda Nyarango'o  
Vice Chairman – CASB**

Hon. Charles Keganda Nyarango is the Vice chairman of the County Assembly Service Board. He also serves as the Elected Member of County Assembly of Bosamaro Ward.

He has previously worked with the National Government under the Procurement Department.






**Hon. Benson Sirona  
Member of CASB**

Hon. Benson Sirona is a Member of County Assembly Service Board representing minority interest. He is currently serving his second term as a Member of County Assembly Service Board and a Member of County Assembly for Rigoma Ward.

Hon. Sirona has served as a Director of KTDA – Nyakoba Tea Factory, a position that he holds to date.

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

 <p><b>Hon. Linet Maganda</b>  <b>External Member – CASB</b></p>	<p>Hon. Linet Maganda is an External of the County Assembly Service Board. She is serving her first term in office as External Member of CASB having been appointed as from November, 2018.</p> <p>She is a Teacher by Profession having served as a History and Kiswahili teacher. She holds a Bachelor of Arts degree.</p>
 <p><b>Hon. Leonard Mugaru</b>  <b>External Member – CASB</b></p>	<p>Hon. Leonard Mugaru is an External member of County Assembly Service Board. He is serving as an External Member of the County Assembly Service Board a position he was appointed as from November, 2018.</p> <p>He holds a Bachelor and Master’s degree in Corporate Governance.</p>
 <p><b>Mr. Duke Simeon Onyari</b>  <b>Ag. Clerk – County Assembly of Nyamira</b></p>	<p>Mr. Duke Simeon Onyari is the Acting Clerk of Nyamira County Assembly. He has served as the Secretary to the County Assembly Service Board (CASB) as from 4<sup>th</sup> April, 2018. He is an Advocate of the High Court.</p>

**5. 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 objectives of the Public Finance Management (Nyamira County Assembly Mortgage and Car Scheme Fund) Regulations, 2019.

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




The fund with the limited resources has been able to grant Mortgage loans to all Members of the County Assembly, Speaker, External Members of the County Assembly Service Board and more than Seventy Per cent of Members of staff.

The fund has further been able to grant Car loans to all Members of the County Assembly, Speaker and a few Members of staff.


The revolving Fund has not been fully built up to disburse loans to all Members of staff. The Members of staff are given mortgage loans in phases due to resource constraint.

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**




**6. MANAGEMENT TEAM**

Name	Details of qualifications and experience
	<p>He is the Chairperson of the Car and Mortgage Loan Scheme Management committee and the Chair of Chairs. He is also a Member of the County Assembly representing Bonyamatuta Ward.</p> <p>Hon. Mocheche is the Deputy Speaker of Nyamira County Assembly and a Chairman of County Assembly Liaison Committee.</p> <p>He has served as a Member of County Assembly for Bonyatuta Ward as from 2013. Hon. Mocheche holds a diploma in corporate governance from Jomo Kenyatta University.</p>
 <p data-bbox="204 1272 603 1373"><b>Hon. Charles Mokaya Maroko</b> V/Chairman-Car &amp; Mortgage loan management committee</p>	<p>He is the Vice Chairperson of the Car and Mortgage Loan Scheme Management committee and the Chairperson, Finance and Economic planning. He is also a Member of the County Assembly representing Gesima Ward.</p> <p>He previously worked as a Procurement Officer in the Department of Defence before vying for Member of County Assembly Gesima Ward in 8<sup>th</sup> August 2017 general elections.</p>
 <p data-bbox="204 1704 603 1832"><b>Hon. Richard Nixon Onyinkwa</b> Vice -Chairman-Car &amp; Mortgage loan management committee</p>	<p>He is the Vice Chairperson of the management committee and the Chairperson Budget and Appropriations Committee. He is also a Member of the County Assembly representing Magombo Ward. Hon. Onyinkwa is an Accountant and a proprietor of Kisii College of Accountancy. He holds Bachelor's Degree in Law from Kisii University.</p>

**The Nyamira County Assembly Car & Mortgage Loan Scheme Fund  
Reports and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

 <p><b>Hon. Callen Atuya</b> <b>Member-Car &amp; Mortgage loan management committee</b></p>	<p>She is a member of the Car and Mortgage Loan Management Committee appointed by the Board. She is also a Member of the County Assembly representing Bokeira Ward. She holds a Diploma in Community Development from African Nazarene University.</p>
 <p><b>Hon. Thaddeus Nyabaro Momanyi</b> <b>Member-Car &amp; Mortgage Loan management committee</b></p>	<p>He is a member of the Car and Mortgage Management Committee appointed by the Board. He is serving his second term as the Member of the County Assembly representing Ekerenyo Ward. Hon. Nyabaro previously worked at the Independent Electoral and Boundaries Commission before joining elective politics in the year 2013. He holds a diploma in Leadership and Governance from KCA University.</p>
 <p><b>Mr. Duke Simeon Onyari</b> <b>Fund Administrator – County Assembly of Nyamira</b></p>	<p>He is the Acting Clerk of The County Assembly and the fund administrator and the secretary to the Car and Mortgage Loan Management Committee. Mr. Onyari is an Advocate of the High Court and previously served as the Deputy Clerk of the County Assembly of Nyamira. He is in charge of the day to day administration of the Car and Mortgage loan Scheme.</p>
 <p><b>CPA. Leonard Kevin Nyamasege</b> <b>Chief Finance Officer</b></p>	<p>He is a member of the Car and Mortgage Loan Management Committee and the Chief Finance Officer. He holds a Bachelor of Commerce Degree and Master of Business Administration in Finance from the University of Nairobi. He is a Certified Public Accountant (CPAK) and a member of Institute of Public Accountants.</p>

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

 <p><b>CPA. Kiage Evelyne</b>  <b>Member-Car &amp; Mortgage loan management committee</b></p>	<p>She is an elected member of staff representing the interests of the members of staff.</p> <p>She holds a Bachelor of Arts (Economics) Degree and Master of Business Administration (Finance). She is a Certified Public Accountant (CPAK) and a member of Institute of Public Accountants.</p>
 <p><b>Jarred Mecha Sagwe</b>  <b>Member-Car &amp; Mortgage loan management committee</b></p>	<p>He is an elected member of staff representing the interest of the members of staff.</p> <p>He holds a Law Degree from the University of Nairobi and a Diploma from Kenya School of Law.</p>
 <p><b>David Nyaberi</b>  <b>Member-Car &amp; Mortgage loan management committee</b></p>	<p>He is an elected member of staff of Car and Mortgage Loan Management Committee represent the members of staff.</p> <p>He holds a Diploma in Business Management from Kisii Polytechnic.</p>

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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**7. FUND CHAIRPERSON'S REPORT**

It is with great pleasure to present the Annual Report and Financial Statements for Nyamira County Assembly Car and Mortgage Loan Scheme Fund for the year ended 30<sup>th</sup> June 2020. The Management Committee has been exercising its functions of processing applications for loans in accordance with the Salaries and Remunerations Commission guidelines and circulars and in line with the Nyamira County Legislative Supplement No.1 of 24<sup>th</sup> March, 2017. The Management Committee has also been supervising the day-to-day running of the Fund.

During the year ended 30<sup>th</sup> June 2020, the Management Committee disbursed loans to the Members of the County Assembly and staff. The Management committee will continue to disburse the loans to the members so as to ensure and each beneficiary has received the loans before end of their term.

The Management committee has made tremendous efforts in ensuring that it recovers all outstanding loans. The loans that have been disbursed to members have greatly shown the positive effects of devolution in the great County of Nyamira. Disbursements of more loans to the members will improve the livelihood of the members and their families and the entire community.

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



**Hon. Robinson Buseni Mocheche**

**Chairman, Car and Mortgage Loan Management Committee**

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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**8. REPORT OF THE FUND ADMINISTRATOR**

During the year under review, the Mortgage and loan management committee received additional funding of **Kshs20,000,000** bringing the total revolving fund to **Kshs.294,000,000**. The fund generated total revenue of **Kshs.7,442,739** from the interest charged on every loan at three percent per annum. (3% p.a.)

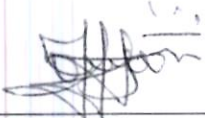
**CAR LOAN**

The Management Committee disbursed car loan to a member of staff The Loans were disbursed as per the Salaries and Remuneration Commission Circular (SRC).

**MORTGAGE LOAN**

The Management Committee disbursed Mortgage loans to Members of staff of the Assembly for the purchase, development, renovation or repair of residential property. The Loans were disbursed as per the Salaries and Remuneration Commission Circular (SRC).

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

  
**Duke Simeon Onyari**  
**Fund administrator**

***The Nyamira County Assembly Car & Mortgage Loan Scheme Fund***  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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**9. MANAGEMENT DISCUSSION AND ANALYSIS**

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 Public Finance Management (Nyamira County Assembly Mortgage and Car loan Scheme Fund) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on 30<sup>th</sup> June, 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 Fund Administrator 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 Nyamira County Assembly Mortgage and Car Loan Scheme Fund Regulations of 2017. The Fund Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30<sup>th</sup> June 2020, and of the Fund's financial position as at that date. The Fund 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 Fund Administrator 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 28<sup>th</sup> September 2020 and signed on its behalf by:



**Fund Administrator**  
**County assembly Car and Mortgage Loan Scheme Fund**

*The Nyamira County Assembly Car & Mortgage Loan Scheme Fund*  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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**10. REPORT OF THE COUNTY ASSEMBLY SERVICE BOARD**

The County Assembly Service Board 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 of the Fund is to provide loan scheme to the members.

**Results**

The results of the Fund for the year ended June 30, 2020 are set out on page 19-21.


**Trustees**

The members of the County Assembly Service Board who served during the year are shown on page 4 and 5.

**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:



.....

**Duke Simeon Onyari**

**Secretary,**

**County Assembly of Nyamira Service Board**

**Date: 28<sup>th</sup> September, 2020**

***The Nyamira County Assembly Car & Mortgage Loan Scheme Fund***  
**Reports and Financial Statements**  
**For the year ended 30<sup>th</sup> June, 2020**

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

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management (Nyamira County Assembly Mortgage and Car Loan Scheme Fund regulations shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 Public Finance Management (Nyamira County Assembly Mortgage and Car Loan Scheme Fund regulations. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 28th September 2020 and signed on its behalf by:



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**Fund Administrator**

# REPUBLIC OF KENYA

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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 NYAMIRA COUNTY ASSEMBLY CAR AND MORTGAGE LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020**

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nyamira County Assembly Car and Mortgage Loan Scheme Fund set out on pages 16 to 36, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nyamira County Assembly Car and Mortgage Loan 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 Qualified Opinion**

##### **Unrecovered Car and Mortgage Loans**

As disclosed in Note 6 to the financial statements, the statement of financial position reflects long term receivables balance of Kshs.258,682,937 which includes an amount of Kshs.10,525,391 owed by a former member of the county assembly and three deceased staff, which have not been recovered. The reasons for non-recovery are death and loss of position in the County Assembly. Further, a review of the loans' records reflects that they were not secured with a charge on the loan securities and the recovery of the amount appears to be uncertain.

In the circumstances, the accuracy, completeness and full recoverability of the long-term receivables balance of Kshs.258,682,937 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyamira County Assembly Car and Mortgage Loan Scheme Fund Management in accordance with ISSAI 130 on Code of

*Report of the Auditor-General on Nyamira County Assembly Car and Mortgage Loan Scheme Fund for the Year Ended 30 June 2020*

Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matters**

#### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.5,130,000 and Kshs.2,645,720, respectively resulting to an under-expenditure of Kshs.2,484,280 or 48% of the budget.

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Non Adherence to the Prescribed Format**

The financial statements presented did not comply with the format prescribed by the Public Sector Accounting Standards Board as follows:-

- i. The statement of comparison of budget and actual are indicated "for the period" ended 30 June, 2020 instead of year ended 30 June, 2020,
- ii. The financial statements submitted did not reflect progress on follow up of auditor's recommendations and annexures on analysis of pending staff payables, analysis of other pending payables and analysis of outstanding imprest,
- iii. Passport size photos, names and concise description of both corporate governance body and management team in the financial statements were omitted,

In the circumstances, the Fund's financial statements are not prepared in accordance with the IPSAS and as stipulated in PSASB template.

## **2. Unvalued and Non Registration of Securities**

As disclosed in Note 6 to the financial statements, the statement of financial position reflects long term receivables balance of Kshs.258,682,937. During the year under review, the management issued car loans totalling to Kshs.76,620,000 to Members of County Assembly without obtaining valuation reports of the vehicles purchased. This is contrary to the provisions of Regulation (12)(1)(g) of the Public Finance Management - State Officers and Public Officers Motor Vehicle Car Loan Scheme Fund Regulations, 2015.

Further, a review of the ownership documents including the title deeds and logbooks securing the loans reflects that the Fund had not registered a charge on the title deeds to reflect its interest in the financed properties or jointly registered the logbooks to secure the loans granted to finance the acquisition of motor vehicles contrary to the provisions of the Nyamira County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2020.

No progress reports or evidence of construction of residential properties were provided for audit review. It was, therefore, not possible to confirm whether the loans were used for the intended purposes.

In the circumstances, the valuation, regularity and validity of the loan disbursements amounting to Kshs.76,200,000 could not be ascertained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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

*Report of the Auditor-General on Nyamira County Assembly Car and Mortgage Loan Scheme Fund for the year ended 30 June, 2020*

(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 ability of Fund's to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to abolish Fund or to cease operations.

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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 sustaining 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**

**08 February, 2022**

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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		Kshs	Kshs
<b>Revenue</b>			
Interest income	2	7,611,800	6,677,200
<b>Total revenue</b>		<b>7,611,800</b>	<b>6,677,200</b>
<b>Expenses</b>			
Fund administration expenses	3	2,604,200	3,279,000
General expenses	4	41,520	55,610
<b>Total expenses</b>		<b>2,645,720</b>	<b>3,334,610</b>
<b>Surplus for the period</b>		<b>4,966,080</b>	<b>3,342,590</b>


The notes set out on pages 31 to 34 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
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	26,290,906	8,827,835
Current portion of long- term receivables	6	15,840,702	7,978,747
<b>Non-current assets</b>			
Long term receivables	6	258,682,937	259,041,883
<b>Total assets</b>		<b>300,814,545</b>	<b>275,848,465</b>
<b>Liabilities</b>			
<b>Current liabilities</b>		-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>			
Revolving Fund		294,000,000	274,000,000
Accumulated surplus		6,814,545	1,845,465
<b>Total net assets and liabilities</b>		<b>300,814,545</b>	<b>275,848,465</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28th September 2020 and signed

  
\_\_\_\_\_  
**Fund Administrator**  
**Duke Simeon Onyari**

  
\_\_\_\_\_  
**Fund Accountant**  
**CPA. Leonard Nyamasege**  
**ICPAK Member No:10008**

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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	Revolving Fund	Accumulated surplus	Total
	Kshs	Kshs	Kshs
<b>Balance as at 1 July 2018</b>	183,000,000	1,494,125	181,505,875
Surplus for the period	-	3,342,590	3,342,592
Funds received during the year	91,000,000	-	91,000,000
<b>Balance as at 30 June 2019</b>	<b>274,000,000</b>	<b>1,848,465</b>	<b>275,848,465</b>
<b>Balance as at 1 July 2019</b>	<b>274,000,000</b>	<b>1,848,465</b>	<b>275,848,465</b>
Surplus for the period	-	4,966,080	4,797,019
Funds received during the year	20,000,000	-	4,797,019
<b>Balance as at 30 June 2020</b>	<b>294,000,000</b>	<b>6,814,545</b>	<b>300,645,484</b>

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

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from County Treasury	1	20,000,000	91,000,000
Interest received	2	7,442,739	6,677,200
<b>Total Receipts</b>		<b>27,442,739</b>	<b>97,677,200</b>
<b>Payments</b>			
Fund administration expenses	3	(2,604,200)	(3,279,000)
General expenses	4	(41,520)	(55,610)
<b>Total Payments</b>		<b>(2,645,720)</b>	<b>(3,334,610)</b>
<b>Net cash flows from operating activities</b>		<b>24,797,019</b>	<b>94,342,590</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		75,486,052	7,925,475
Loan disbursements paid out		(82,820,000)	(93,563,337)
<b>Net cash flows used in investing activities</b>		<b>(7,333,948)</b>	<b>(85,637,862)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,463,071</b>	<b>8,704,728</b>
Cash and cash equivalents at 1 JULY		8,827,835	123,107
<b>Cash and cash equivalents at 30 JUNE</b>	5	<b>26,290,906</b>	<b>8,827,835</b>

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**13.5. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> 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	
<b>Revenue</b>						
Interest income	7,400,000	-	7,400,000	7,611,800	(211,800)	(3%)
<b>Total income</b>	<b>7,400,000</b>		<b>7,400,000</b>	<b>7,442,739</b>	<b>(42,739)</b>	
<b>Expenses</b>						
Sitting allowances	3,519,510	-	3,519,510	2,274,000	1,245,510	35%
Travelling costs	1,550,490	-	1,550,490	330,200	1,220,290	79%
Bank Charges	60,000	-	60,000	41,520	18,480	31%
<b>Total expenditure</b>	<b>5,130,000</b>	<b>-</b>	<b>5,130,000</b>	<b>2,645,720</b>	<b>2,484,280</b>	
<b>Surplus for the period</b>	<b>2,270,000</b>	<b>-</b>	<b>2,270,000</b>	<b>4,966,080</b>		

**Budget notes**

- i. Sitting allowances utilized 65% of the approved budget estimate hence saving 35%.
- ii. Travelling costs utilized 21 %, saving 79% of the budget amounts.
- iii. Bank charges spent 69%, saving 31% of the budget estimate.

**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**

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2022:</b> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> 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.
Other Improvements to IPSAS	<b>Applicable: 1<sup>st</sup> January 2021:</b> <ul style="list-style-type: none"> <li>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</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul>

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Standard	Effective date and impact:
	<p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which 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.

**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 management committee on 4<sup>th</sup> July 2019.

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.

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

### **5. Financial instruments**

#### *Financial assets*

##### *Initial recognition and measurement*

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

##### *Held-to-maturity*

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

##### *Impairment of financial assets*

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

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

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

### ***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.

### **6. 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.

#### ***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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**7. 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.

**8. 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.

**9. 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 fund administration and management team

**10. 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.

**11. Comparative figures**

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

**12. Events after the reporting period**

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

**13. Ultimate and Holding Entity**

The entity is a County Public Fund established by the Public Finance Management (Nyamira County Assembly Mortgage & Car loan Scheme Fund Regulations under the Department of Finance and Economic planning. Its ultimate parent is the County Government of Nyamira.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Currency**

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

**15. 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.

**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.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**16. 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 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 borrowers.

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.

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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.

**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
Revolving fund	294,000,000	274,000,000
Accumulated surplus	6,814,545	1,848,465
<b>Total funds</b>	<b>300,814,545</b>	<b>275,848,465</b>
Less: cash and bank balances	26,290,906	8,827,835
Net debt/(excess cash and cash equivalents)	274,523,639	267,020,630
<b>Gearing</b>	<b>0.91%</b>	<b>0.97%</b>

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**13.5 NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from County Government**

Description	2019/2020	2018/2019
	Kshs	Kshs
Transfers from County Government.	20,000,000	91,000,000
<b>Total</b>	<b>20,000,000</b>	<b>91,000,000</b>

**2. Interest income**

Description	2019/2020	2018/2019
	Kshs	Kshs
Interest income from Mortgage loans	6,054,897	4,759,492
Interest income from car loans	1,387,842	1,917,708
<b>Sub - Total</b>	<b>7,442,739</b>	<b>6,677,200</b>
Accrued interest income	169,061	-
<b>Total interest income</b>	<b>7,611,800</b>	<b>6,677,200</b>

**3. Fund administration expenses**

Description	2019/2020	2018/2019
	Kshs	Kshs
Travel costs	300,200	365,000
Professional services costs	30,000	-
Committee Sitting allowances	2,274,000	2,914,000
<b>Total</b>	<b>2,604,200</b>	<b>3,279,000</b>

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**4. General expenses**

Description	2019/2020	2018/2019
	Kshs	Kshs
Printing and stationery	-	16,000
Bank Charges	41,520	39,610
<b>Total</b>	<b>41,520</b>	<b>55,610</b>

**5. Cash and cash equivalents**

Description	2019/2020	2018/2019
	Kshs	Kshs
Nyamira County Assembly County mortgage and Car account	26,290,906	8,827,835
<b>Total cash and cash equivalents</b>	<b>26,290,906</b>	<b>8,827,835</b>

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

Financial institution	Account number	2019/2020	2018/2019
		Kshs	Kshs
<b>Current account</b>		-	
Family Bank Account	026000019496	26,290,906	8,827,835
<b>Total</b>		<b>26,290,906</b>	<b>8,827,835</b>

**6. Receivables from exchange transactions**

Description	2019/2020	2018/2019
	Kshs	Kshs
<b>Current Receivables</b>		
Non-performing loans	10,525,391	2,663,436
Amount owed by County Executive	5,315,311	5,315,311
<b>Total Current receivables</b>	<b>15,840,702</b>	<b>7,978,747</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	258,682,937	259,041,883
<b>Total Non- current receivables</b>	<b>258,682,937</b>	<b>259,041,883</b>

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

**7. CHANGES IN RECEIVABLE**

Description of the error	2019 - 2020	2018 - 2019
	Kshs	Kshs
Account receivable as at 1 <sup>st</sup> July 2019	275,159,941	181,382,768
Account receivable issued during the year	72,061,007	134,700,000
Account receivable settled during the year	(72,697,282)	(40,922,854)
Net changes in account receivables	<b>274,523,937</b>	<b>275,159,914</b>

**8. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
<b>Surplus for the year before tax</b>	<b>4,966,800</b>	<b>3,342,590</b>
<b>Adjusted for:</b>		
Interest income	7,611,800	6,677,200
Finance cost	41,520	55,160
<b>Working capital adjustments</b>		
Increase in receivables	7,861,955	92,193,115
Increase in payables	4,484,005	(7,925,475)
<b>Net cash flow from operating activities</b>	<b>24,966,080</b>	<b>94,342,590</b>

**9. 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) County Government of Nyamira
- b) County Assembly of Nyamira
- c) Management Committee
- d) County Assembly Service Board.

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

**b) Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	20,000,000	91,000,000

Kshs.20,000,000 was transferred from the County Assembly Recurrent Account Number 1000239751 on 16<sup>th</sup> June 2020 for the issuance of Car loans and Mortgage loans to staff of the County Assembly.

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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.

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1.	<b>Interest on Receivable</b> - Kshs.2,663,436 representing defaulted loans not charged by fund administrator hence losing revenue due from interest on defaulted loans.	The Non-performing loans have since been charged with interest of 3% per annum on all the outstanding balances.	Fund Accountant	Resolved	
2.	<b>Valuation of Securities for Car Loan</b> – Loans totalling to Kshs.8,600,000 issued without obtaining valuation report on the vehicles.	The Management Committee is in the process of valuing all the cars acquired through the loans disbursed to the Members	Fund Administrator	Not Resolved	December, 2020
3.	<b>Failure to register a charge on Securities</b> – The fund has not registered a charge on the title deeds to reflect its interest in the properties nor jointly registered the logbooks.	The Management Committee is in the process of charging all securities that financed the loans.	Fund Administrator	Not Resolved	December, 2020
4.	<b>Construction of Residential Property</b> – No progress report or evidence of construction of residential property was provided for audit review.	The Management Committee has now initiated the process of ensuring that on quarterly basis the progress reports are prepared to assess status of properties.	Fund Administrator	Not Resolved	June, 2020

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Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: <i>(Resolved / Not Resolved)</i>	Timeframe:
5.	<b>Outstanding Car and Mortgage Loans</b> – Kshs.9,439,284 owed by one former member of County Assembly and three deceased staff which are yet to be recovered.	The Management Committee is in the process of recovering all non-performing loans from the properties secured for the loans.	Fund Administrator	Not Resolved	June, 2021

**Fund Administrator**

Sign:  .....

Date: 28<sup>th</sup> September, 2020