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**REPORT**

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**OF**

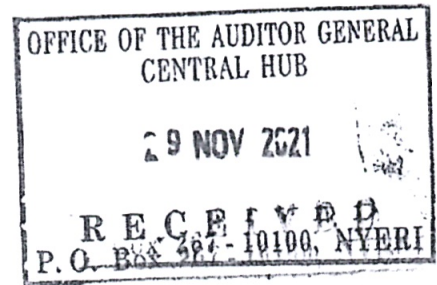
**THE AUDITOR-GENERAL**

**ON**

**KIRINYAGA COUNTY EXECUTIVE CAR  
LOAN AND MORTGAGE FUND**

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

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**COUNTY GOVERNMENT OF KIRINYAGA  
EXECUTIVE CAR LOAN AND MORTGAGE FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**County Government of Kirinyaga Executive Car Loan and Mortgage fund  
Reports and Financial Statements  
As at June 30, 2021**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Executive Car loan and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The Fund's principal activity is to ensure that the Directorate carry out its function

The Fund's principal activity is to provide a loan scheme for the purpose of personal use by a member or the purchase, development, renovation or repair of property by a member prescribed by the salaries and remuneration commission schedules

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide;

- a) A loan scheme for members of the scheme
- b) Refinancing loan schemes

**c) Board of Trustees/Fund Administration Committee**

Ref	Position	Name
	N/A	
1	Chairman- Mortgage & Car Loan Fund	CPA, HON. Moses Migwi
2	Fund Administrator	James M. Kimaru- Economist
3		

**Key Management**

Ref	Position	Name
1	Chairman- Mortgage & Car Loan Fund	CPA, HON. Moses Migwi
2	Fund Administrator	James M. Kimaru- Economist
3	Fund Accountant	CPA, Job Gakuya Mwangi

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**d) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	Philomena Nyokabi
2		
3		

**e) Registered Offices**

P.O. Box 260

County Headquarters

Kutus, KENYA

**f) Fund Contacts**

Telephone: +254 - 202-8010181

E-mail: kirinyaga.go.ke

Website: www.kirinyaga.go.ke

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Bingwa Sacco Ltd  
P.O BOX 434-10300  
Kerugoya

**h) Independent Auditors**

Auditor General

Office of The Auditor General

P.O. Box 140-60100

Embu

Nairobi, Kenya

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**i) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue



P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
<p>1. HON, CPA MOSES MIGWI</p> 	<p>Chair /CEC Member Finance and Economic Planning            Date of Birth:29/01/1980  <b>Academic Qualifications</b>            Master's in Business Management            Bachelor in Business Management            CPA(K), COP, CIFA(Ongoing)            Experience: Over 10years</p>
<p>2. JAMES MUGUKU KIMARU</p> 	<p>Economist &amp; Fund Administrator- Mortgage &amp; Car Loan Scheme Fund            Date of Birth:19<sup>th</sup> April 1985  <b>Academic Qualifications</b>            Bachelor of Science- Economics &amp; Mathematics            Experience: Over 10 years</p>

### 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.

#### Strategic development objectives

The County's 2018-2022 CIDP has identified key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Kirinyaga County's 2018-2022 CIDP are to:

- a. To Increase agricultural and Livestock productivity.
- b. To Provide and maintain an integrated road network and infrastructure that is functional and reliable to encourage social and economic development
- c. To Facilitate improvement of livelihoods of the people of Kirinyaga County through efficient Land resource management, Equitable Access, secure Tenure and Sustainable housing.
- d. To offer an efficient and high-quality health care system that is accessible, equitable and affordable.
- e. Regulating, facilitating and promoting economic growth through markets development, tourism development and promotion, industrialization promotion and development.

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- f. To provide, promote and co-ordinate lifelong education, training and research for sustainable development.
- g. To co-ordinate and facilitate the delivery of quality development services with special emphasis on youth economic empowerment, recreational facilities development.
- h. To promote the socio-economic development of the community through cultural services development, Gender and social services development
- i. To promote, conserve and protect the environment and biodiversity in order to spur sustainable development as well as facilitate sustainable management and development of water resources for county development

**Progress on Attainment of Development Objectives from Annual Development Plan**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

<b>Program Name:</b>	Sports developments			
<b>Objective:</b>	Promotion and development of sport talents			
<b>Outcome:</b>	Improved sporting standards through training and improvement of sports infrastructure			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets 2020/21FY</b>	<b>Remarks</b>
Rehabilitation of stadia	Number of Standard stadia with sporting facilities	Upgrade Kerugoya and Kianyaga stadia	Rehabilitation of Kerugoya stadium started.	Fencing of stadium completed
Construction of talent academy,	One complete & fully equipped talent academy	To have a complete and equipped talent academy	Site identified at Kerugoya stadium for talent academy construction	Construction is yet to start
Purchase of sports	• Number of youths and	500 clubs to be equipped	Sports equipment	Distribution of sports

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equipment and uniforms	clubs issued with sports equipment <ul style="list-style-type: none"> <li>• Issuance schedule</li> <li>• Photos</li> </ul>		purchased	equipment in progress
Organize county tournaments	No. of championships held	10 sports championships	2 championships held	Planned activities affected by Covid 19
Training of technical personnel, sportsmen and women.	No of coaches, officials and referees and staff trained	5 sports training	1 training held	Planned targets not funded
<b>Alcoholic drinks Control</b>				
Control of sales and usage of Alcoholic beverages	No of bars/liquor outlet inspected No of liquor outlets licensed	All liquor outlets applicants for f/y 2020/2021	1400 outlets inspected out of 1892	Inspection is ongoing
School based programme on creating awareness on drugs and substance use among the school going students and pupils	No of school visited No of forums held	20 schools both primary, secondary and tertiary within the county.	1	Planned activities were affected by Covid – 19  Lack of budget
Rehabilitation of Addicts	No and names of individual engaged/ taken to rehab and offered with counselling services	50 People	6	Referred six cases to Kerugoya referral hospital  Planned target not funded
Baseline survey (research) on drug and substance use within the county	Number of filled Questionnaires No of participants in survey Number of reports produced.	2	0	Not funded
Training /capacity	No of people trained	5	1 training held	Planned

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building on drug and substance abuse to the General public i.e youth, women and men	Number of reports produced			activities were affected by Covid – 19
<b>Kianyaga Children Home</b>				
Purchase of bedsheet and blankets for KCH	No of bedding / sheets purchased			Bedding purchased and delivered
Reintegration of Children from Kianyaga Children Home	No of children integrated No of home visited for integration	8	8	The exercise done successfully
Feeding programme at KCH	Total no of children fed Kitchen time table/duty roosters	To feed All children at KCH with balanced diets	All Children were fed	Healthy children at KCH
Installation of energy saving jikos/cookers	No of fixed jikos	1	1	Completed
Education Programme	No of admissions to both secondary & primary schools	3 secondary students	3 students admitted to secondary school	

Program Name:	Women And Youth Empowerment Program			
Objective:	To Empower Women And Youth Socially And Economically			
Outcome:	Empowered Women And Youth In The County.			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/21FY	Remarks
Empowered women, Youth, PWD and vulnerable groups/persons	Groups and SACCOs	-	-	
	Value addition projects for Wezesha programs facilitated	1	-	
	Training of groups to Wezesha SACCOs	30%	25%	
	Compliance with legal frameworks	100%	100%	
	Kaitheri apparel	30%	30%	
		10%	10%	

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	Poultry groups Avocado groups Fair trade practices complied More empowered women and youth			
<b>Program Project:</b>	<b>Affordable housing Program</b>			
Objective:	To provide affordable housing facilities to the residents of Kirinyaga County			
Outcome:	Accessible and affordable housing facilities to the growing urban population			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved Targets 2020/21</b>	<b>Remarks</b>
	200 units of Completed Houses	200 houses	Pdp approved Letters of allotment approved & issued	Preparation of leases underway Awaiting public participation Looking for a financier
<b>Program Project:</b>	<b>Improvement of Land Tenure</b>			
Objective:	To improve land tenure and create access to financial institutions through re-planning & re-surveying			
Outcome:	Possession of land ownership documents			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved Targets 2020/21</b>	<b>Remarks</b>
	Possession of ownership documents	200 Tittles	Process started	
<b>Program Project:</b>	<b>County Spatial Plan</b>			
Objective:	To provide a broad framework for land management in the County			
Outcome:	A broad policy framework which will guide the use and management of land			
	<b>Key</b>	<b>Planned</b>	<b>Achieved</b>	<b>Remarks</b>

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	Performance Indicators	Targets in 2020/21	targets 2020/2021	
	A Spatial plan report	100%	Inception report Data collection 1 <sup>st</sup> stakeholders meeting	77 % complete To be approved by the municipal board and County Assembly
<b>Program Project:</b>	<b>Preparation of Physical Development Plan</b>			
<b>Objective:</b>	To provide a basis for investment and land use			
<b>Outcome:</b>	Physical development plans for various towns			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/2021	Remarks
	No of physical development plans	60	30	
<b>Program Project:</b>	<b>SUED Program</b>			
<b>Objective:</b>	To develop an urban economic plan, investment climate reforms staff capacity development and value chain projects			
<b>Outcome:</b>	A favorable investment climate			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/2021	Remarks
	Value chain projects	100 %	15%	On-going
<b>Program Name:</b>	Construction of ECDE classrooms			
<b>Objective:</b>	To provide conducive environment for teaching and learning			
<b>Outcome:</b>	Increased access to early learning by pre-primary going children aged 4-6 years			
	Key Performance Indicators	Planned Targets in 2019/20	Achieved targets	Remarks
	No. of classrooms constructed	8 classrooms	8 classrooms constructed	More classrooms required
<b>Program Name:</b>	Renovation of ECDE classrooms			

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<b>Objective:</b>	To provide conducive environment for teaching and learning			
<b>Outcome:</b>	Increased access to early learning by pre-primary going children aged 4-6 years			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2019/20</b>	<b>Achieved targets</b>	<b>Remarks</b>
	No. of classrooms renovated	18 classrooms	18 classrooms renovation	More classrooms require to be renovated
<b>Program Name:</b>	Procurement and distribution of ECDE teaching and learning materials			
<b>Objective:</b>	To ensure quality education for all and promote lifelong learning			
<b>Outcome:</b>	Increased access to teaching and learning resources			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2019/20</b>	<b>Achieved targets</b>	<b>Remarks</b>
	No. of learning materials procured and supplied	T/L materials distributed to 198 ECDE centres	198 ECDE centres supplied with T/L materials	Adequate budget required

<b>Program Name:</b>	Construction of DVET Classrooms.			
<b>Objective:</b>	To provide conducive environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	No of classrooms constructed	6 Classrooms	2 classrooms at 80% 2 classrooms at 50% 2 classrooms at 80%	<ul style="list-style-type: none"> <li>Funding delayed by MOE, and</li> <li>More classrooms required.</li> </ul>
<b>Program Name:</b>	Completion of Fences			
<b>Objective:</b>	To provide security for institutions			
<b>Outcome:</b>	Increased control and safety of property, trainees and staff			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Number of fences completed	2 Fences	1 fence at 10% 1 at 100%	<ul style="list-style-type: none"> <li>Funding delayed by</li> </ul>

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				MOE
<b>Program Name:</b>	Construction of DVET Ablution blocks.			
<b>Objective:</b>	To provide conducive and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	No of ablution blocks constructed	ablution blocks	1 ablution blocks completed at 50%	<ul style="list-style-type: none"> <li>More ablution blocks required to be constructed</li> </ul>
<b>Program Name:</b>	Procurement and distribution of Tools, Equipment and Instructional /Assessment/Examination materials			
<b>Objective:</b>	To ensure quality education for all and promote lifelong learning			
<b>Outcome:</b>	Increased access to teaching and learning resources			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Amount of Tools, Equipment and Instructional /Assessment/Examination materials procured and supplied	Tools, Equipment and Instructional /Assessment/Examination materials distributed to 15 vocational training centres	15 vocational training centres supplied with T/L materials	Adequate budget required
<b>Program Name:</b>	Procurement and distribution of appropriate tools and equipment			
<b>Objective:</b>	To ensure quality education for all and promote lifelong learning			
<b>Outcome:</b>	Increased access to teaching and learning resources			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Amount of learning materials procured and supplied	T/L materials distributed to 15 vocational training centres	15 vocational training centres supplied with T/L materials	Adequate budget required
<b>Program Name:</b>	Construction of dormitories			
<b>Objective:</b>	To provide conducive and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	<b>Key Performance Indicators</b>	<b>Planned Targets in 2020/21</b>	<b>Achieved targets</b>	<b>Remarks</b>
	No of dormitories and bio-digesters constructed	2 Dormitories	1 Dormitory at 70% 1 Dormitory at 70%	More Dormitories & bio digesters required
<b>Program Name:</b>	Construction of bio-digesters			
<b>Objective:</b>	To provide conducive and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	<b>Key Performance Indicators</b>	<b>Planned Targets in</b>	<b>Achieved targets</b>	<b>Remarks</b>

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	Indicators	2020/21		
	No of bio-digesters constructed	3 bio-digester	1 bio digester at 100% 1 bio digester at 98% 1 bio digester at 70%	More bio digesters required
<b>Program Name:</b>	Drilling a water bore hole			
<b>Objective:</b>	To provide conducive and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of welding shades constructed	1 bore hole	1 bore hole at 10%	More bore holes required
<b>Program Name:</b>	Construction of office block			
<b>Objective:</b>	To provide conducive environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of office blocks constructed	2 office block	1 office block 90% 1 office block 80%	More office blocks required
<b>Program Name:</b>	Renovation of classrooms			
<b>Objective:</b>	To provide conducive environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of classrooms renovated	1 classroom block	1 classroom block renovated 100%	More classroom renovations required to be done
<b>Program Name:</b>	Renovation of dormitories			
<b>Objective:</b>	To provide conducive and safe environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of dormitories renovated	2 dormitories renovated	1 dormitory renovated 10% 1 dormitory renovated 100%	
<b>Program Name:</b>	Renovation of dining hall			
<b>Objective:</b>	To provide conducive, safe and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			

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	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of dining halls renovated	1 dining hall	1 dining hall at 10%	
<b>Program Name:</b>	Procurement and delivery of beds for dormitories			
<b>Objective:</b>	To provide conducive environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of beds delivered	30 double deckers	30 double deckers supplied 100%	More beds required
<b>Program Name:</b>	Construction of pit latrines			
<b>Objective:</b>	To provide conducive and hygienic environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of pit latrines constructed	2 pit latrines	2 pit latrines at 90%	More ablution blocks required
<b>Program Name:</b>	Construction of masonry shade			
<b>Objective:</b>	To provide conducive environment for instruction and learning			
<b>Outcome:</b>	Increased access to training by TVET trainees			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	No of shades constructed	1 masonry shade	1 masonry shade 10% completed	

<b>Program Name:</b>	Financial inclusivity			
<b>Objective:</b>	To facilitate growth of cooperative sector			
<b>Outcome:</b>	Cooperative society formed			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets in 2020/21FY	Remarks
	Number of Co-operative Societies formed	30	8	Most groups did not meet the threshold for registration. Cooperative training was offered to bridge gaps identified to qualify

<b>Program Name:</b>	Capacity building			
<b>Objective:</b>	Skills development			
<b>Outcome:</b>	Capacitated cooperative societies			

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	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/21FY	Remarks
	Number of Co-operative Societies facilitated	30	40	Target met and surpassed.
	Number of workshops/trainings held			This will enable more cooperative to be formed in the next financial year.

Program Name:	Legal framework			
Objective:	To ensure adherence to legislation			
Outcome:	Number of legal frameworks developed			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/21FY	Remarks
	Compliance with legal frameworks	100%	100%	Target met

Program Name:	Consumer protection			
Objective:	To ensure fair trade practices			
Outcome:	Weights and measures equipment verified			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/21FY	Remarks
	Number of weights and measures equipment verified.	100	80%	Lack of vehicle for weights and measures has limited full compliance

Program Name:	Trade development			
Objective:	To provide conducive trading environment for market traders			
Outcome:	Upgraded and operational markets.			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets 2020/21FY	Remarks
	Number of upgraded	3	3	Kibingo, Kerugoya, and Kutus markets fully upgraded

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	markets			
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<b>Program Name:</b>	<b>County Flagship Projects: Kutus, Kerugoya and Kagio Towns Parkings, Walkways and Access Roads.</b>			
<b>Objective:</b>	Improved transportation system, traders and residents environment and increased revenue collection			
<b>Outcome:</b>	Well-built parking and trading spaces which are well drained, beautiful and long lasting to cabro standards.			
	<b>Key Performance indicators</b>	<b>Planned targets</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Square meters of parking lots done (M <sup>2</sup> )	11000	11000	100% complete.

<b>Program Name:</b>	<b>County Flagship Projects: County In-house County Roads.</b>			
<b>Objective:</b>	Improved transportation system, access and environment for traders and residents.			
<b>Outcome:</b>	Well-built roads which are well drained and long lasting to murrum standards.			
	<b>Key Performance indicators</b>	<b>Planned targets</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Number of kilometers of roads done (Kms)	1,200 - Grading 220 - Graveling	900 - Grading 160- Graveling	80% of the planned grading works completed. 75% of the planned gravel works completed.

<b>Program Name:</b>	<b>Kenya Roads Board Projects: County Roads and bridges.</b>			
<b>Objective:</b>	Improved transportation system, access and environment for traders and residents.			
<b>Outcome:</b>	Well-built roads which are well drained and long lasting to murrum standards.			
	<b>Key Performance indicators</b>	<b>Planned targets</b>	<b>Achieved targets</b>	<b>Remarks</b>
	Number of kilometers of roads done (Kms)	86.85	100.2	Over 115% of the planned works completed.

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	Number of bridges built (No)	3.00	3.00	All ongoing
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Program Name.	Disaster Management - Firefighting and Rescue Services				
Objective	To enhance the County's Fire Brigade operational capacities for improved disaster management practices and timely responses to fire and rescue incidents.				
Sub Program	Outcome	Key Performance Indicators	Planned Targets in 2020/2021	Achieved Targets	Remarks
1. Fuel for the fire equipment	Timely response to incidents	Litres of fuel consumed.	43,200Litres	9,894Litres	74No. Fire and rescue incidents responses only-Fire Engine broke down for five months in 2019/2020
2. Installation of water hydrants in major towns	Improved backup systems	Number of Hydrants installed	3 No.	Nil	No budgetary allocation
3. Purchase of Smoke generator (Medium)	Improved backup systems	Number of units purchased	1 No.	Nil	No budgetary allocation
4. Installation of VHF Radios Communication system	Enhanced communication	Number of system installed	1 No.	Nil	No budgetary allocation
5. Purchase of operating gadgets (Cold foam, First aid kits, metal and tile blade cutters and rescue rope)	Improved backup systems and safety measures	Number of units purchased	5 No.	Nil	Inadequate budgetary allocation
6. Refilling of breathing apparatus, water and carbon dioxide fire extinguishers.	Improved and sustainable capacity	Number of units refilled	13 No.	Nil	Inadequate budgetary allocation
7. Purchase of office computer, photo printer, mobile phone, digital camera, Safaricom modem and Wall clock	Improved service delivery backup systems	Number of units purchased	6 No.	Nil	Inadequate budgetary allocation

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Programme name	Objective	Outcome	Key performance	Planned targets 2020-2021	Achieved targets	Remarks
Piped water supply	To improve access to clean portable water to all households in Kirinyaga County	Purchased and supplied water tanks ( 375*1,000L) Tanks for Wamumu Ward	No. of households with access to clean, portable water supply	Provision of water Storage tanks to households within Wamumu ward	80%	Tanks have been delivered awaiting branding
	To increase number of households with access to water for irrigation	Supplied materials for the following water projects which are currently on going: - 1) Giakaregi 2) Mwega 3) Kirimara 4) Kathunguri 5) Kiangondi 6) Rwamukia 7) Kiburu 8) Riagicheru 9) Thirikwa 10) Kiangati 11) Njukiini 12) Kiamuguongo 13) Nyaru 14) Kathaka 15) Mungetho 16) Sagana 17) Mukui 18) Mbeti B 19) Riagitura 20) Gatwe 21) Gakui 22) Karaini Gaturu 23) Kiaritha borehole 24) Ndorome borehole 25) Kiratina borehole	No. of irrigation projects completed	Completion of seven water projects and one borehole	90%	

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Program Name:	CURATIVE			
Objective:	To ensure availability of health commodities			
Outcome:	All patients to receive all prescribed medicines			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	Availability of all medicines	100%	70%	Budgetary allocations
	Availability of all non-pharmaceuticals	100%	70%	Budgetary allocations
	Availability of all laboratory reagents	100%	50%	Budgetary allocations

Program Name:	PREVENTIVE			
Objective:	To ensure all diseases are prevented			
Outcome:	Residents of Kirinyaga are aware of disease prevention measures			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	Availability of all typhim vaccine	100%	95%	Legal documents inconsistent supply
	Availability of all aqua tabs	100%	90%	
	Disease prevention education	100%	90%	

Program Name:	REFERRAL			
Objective:	To ensure all patients are referred when need arises			
Outcome:	All patients can access the higher level of intervention			
	Key Performance Indicators	Planned Targets in 2020/21	Achieved targets	Remarks
	Availability of operation and equipped ambulances	10 ambulances	7 ambulances	3 are in the garage
Program name	Objectives	Key Performance Indicators	Planned Targets in 2019/20	Achieved targets
ICT infrastructural upgrading and development	-Faster delivery of services and enhanced digital inclusivity	-Operational ICT Infrastructure; these include	-	-

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		-Operational fiber optic	100%	95%
		-Operational County website	100%	70%
		-Operation Revenue Management System	70%	62%

<b>Program Name: Public Financial Management</b>				
<b>Objective: prudence in management of public funds</b>				
<b>Outcome: Improved Transparency and Accountability in management of public finances</b>				
<b>Sub-Program</b>	<b>KPI</b>	<b>Target</b>	<b>Planned Target</b>	<b>Achieved</b>
Financial Accounting	Effective support in delivery of services	All necessary financial documents prepared	100%	100%
Procurement Compliance and Reporting	Compliance with rules and regulations	All necessary procurement procedures followed	100%	100%
Internal Audit	No. of reports prepared	Quarterly reports prepared	4	4
Budget Formulation	Preparation of County budget	Prepare and submit	1	1
	Preparation of CBROP	Prepare and submit	1	1
	Preparation of CFSP	Prepare and submit	1	1
Resource Mobilization	Revenue mobilization	Own source revenue collected	480,000,000	374,700,000
<b>Program Name: County Planning and Economic Policy Management</b>				
<b>Objective link planning to budget formulation and implementation</b>				
<b>Outcome: Strengthened linkages between planning, policy formulation and budgeting</b>				
Economic Planning and Policy Formulation	Production of planning and policy documents	No. of planning documents and policies produced	1	1

<b>Program name</b>	<b>Objective</b>	<b>Outcome</b>	<b>Key performance indicators</b>	<b>Planned targets in</b>	<b>Achieved targets</b>	<b>Remarks</b>
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<b>Animal feeds production</b>	Produce high value and quality feeds for dairy, poultry and fish	High quality feeds produced	Improved performance of dairy, poultry and fish	Supply to all the 32 poultry houses distributed in all wards 100%	100%	Program ongoing in all wards except dairy and fish feeds
<b>Livestock disease control( vaccination )</b>	Control and eradicate livestock diseases like FMD, LSD, RVF, BQ and rabies in dogs and cats	All the notifiable diseases controlled and eradicated	Number of animals vaccinated and reduced incidence of diseases	65% vaccination	40% vaccination	Vaccine to be availed on time
<b>Meat hygiene (animal products safety and quality assurance)</b>	To safe guard human health by providing wholesome meat and quality animal byproducts	100% achievement	All meat is inspected. Hides, skins and leather improvement is done. Licensing is done for bandas, slaughterhouses and slaughter-men	100%	100%	Challenges due to inadequate technical staff
<b>Poultry house construction</b>	Construct standard poultry houses for poultry CIG	45 poultry houses constructed	All 45 poultry houses are constructed to completion	100%	100%	Were all completed on time
<b>Livestock and fish extension services</b>	Extension, capacity building and animal welfare in all homesteads	All homesteads in all wards visited and extension services offered	Increased production and access to market	100%	100%	It's continuous and facing challenge due to low staff numbers

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Programme name	Objective	Outcome	Key performance	Planned targets 2020-2021	Achieved targets	Remarks
Extension Services	To improve production and productivity through access to high quality inputs	Increased crop yields through use of high quality fertilisers	Number of farmers facilitated to access subsidized fertilisers			

Avocados	To improve production and productivity through access to high quality seedlings	Increase avocado productivity through availing high quality Hass avocado seedlings	Number of seedlings distributed	38000	38000	Seedlings sourced locally
Tomatoes	To improve production and productivity of tomatoes	Increase productivity through improved access to high quality seedlings	Number of seedlings produced	39284	50000	Produced in green houses

Rice	To transform the rice industry through mechanisation of rice farming operations for improved income and food security by 2022.	Increase mechanized farm operations through use of planters and weeders for Mwea Rice Growers and Multipurpose COOP Society members	Increased Use of planters, hay balers by 30%.	Increase acreage of mechanized rice farming from 0 acres to 1500acres/year through planters and weeders	750 Acres	Achievement made possible through the support of JICA on CADPERP and ASDSP programs
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County Government of Kirinyaga Executive Car Loan and Mortgage Fund  
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Bananas	To transform the banana industry through improved productivity ,value addition, streamlined marketing, adoption of modern technologies , networking and policy influencing for improved and sustainable livelihoods in Kirinyaga county	<ul style="list-style-type: none"> <li>• Reduced cost of inputs</li> <li>• Increased yields per unit area</li> <li>• Increased access to irrigation water</li> <li>• Reduced incidences of pests and diseases</li> <li>• Improved access to husbandry skills &amp; knowledge</li> <li>• Improved coordinated market channels</li> </ul>	<ul style="list-style-type: none"> <li>• ASDSP supported linkage of 36 agro producer groups to market and business devpt services</li> <li>• Establishment of 3 banana hardening nurseries namely Karinga, Ramini and Murindi with a capacity to supply 30,000 seedlings per season</li> <li>• Development of a business training manual and</li> </ul>	Target 105 banana value chain organization on Business plan ,access to extension service and contractual marketing.	56 VCOs to date	Achievable through ASDSP II
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**County Government of Kirinyaga Executive Car Loan and Mortgage Fund**  
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			subsequ ent training of 36 groups on Farm business plan			
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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>3. HON, CPA MOSES MIGWI</p> 	<p>Chair /CEC Member Finance and Economic Planning            Date of Birth:29/01/1980  <b>Academic Qualifications</b>            Master's in Business Management            Bachelor in Business Management            CPA(K), COP, CIFA(Ongoing)            Experience: Over 10years</p>
<p>4. JAMES MUGUKU KIMARU</p> 	<p>Economist &amp; Fund Administrator- Mortgage &amp; Car Loan Scheme Fund            Date of Birth:19<sup>th</sup> April 1985  <b>Academic Qualifications</b>            Bachelor of Science- Economics &amp; Mathematics            Experience: Over 10 years</p>
<p>3. CPA, JOB GAKUYA MWANGI</p> 	<p>Senior Accountant            Date of Birth: 16<sup>th</sup> May 1981  <b>Academic Qualifications</b>            CPA K            Masters of Science- Finance and Economics            Bachelor of Commerce            Experience: 20 Years</p>
<p>1. Etc.</p>	
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

**County Government of Kirinyaga Executive Car Loan and Mortgage Fund  
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**4. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT**

I have the pleasure of presenting the annual Kirinyaga County Executive Car Loan & Mortgage Fund for the year ended 30<sup>th</sup> June 2021. These annual financial reports have been prepared in accordance with Generally Accepted Accounting Principles (GAAPs), the International Accounting Standards (IAS), the International Public Sector Accounting Standards (IPSAS) accrual basis, and Section 116 of the Public Finance Management Act, 2012.

Kirinyaga County Executive Car Loan & Mortgage Fund was established by an Act of Kirinyaga County Assembly. This Act is in compliance with the provisions of Public Finance Management Act (Cap412). Bingwa Sacco Ltd was competitively awarded tender to administer this fund.


There was an approved budget for 2020/2021 financial year of Kshs 31,300,000.

The County endeavoured to utilise Public Finance Management procedures and regulations, which included; Procurement and Disposals Act, Public Finance Management Act, 2012 just to mention a few to ensure optimal utilisation of the County Resources and achieve value for money as enshrined in the Constitution of Kenya 2010.

In the Financial Year under review, the County was faced by various challenges. They include;

- The delay in disbursements of funds to County Governments by the National Government has persisted since inception. The County Government therefore had limited resources, hurting timely implementation of the budget during the period under review.
- Constant disagreements between the two arms of Government cannot be over emphasized. The County Assembly often stepped on the mandate of the County Executive which affected the relationship and overall performance.
- The demand for mortgage and car loan among county staff is high compared to how much we can allocate in the budget due to other county needs and necessary functions. The county made some disbursements in phases due to the above challenge.

In Conclusion, I am grateful to the County Governor, Deputy Governor, County Executive committee members, Departmental heads for the support they have given to me and the staff of my department during the year. I would also like to thank the officers from the National Treasury, the Office of the Controller of Budget, the Commission on Revenue Allocation and Kenya National Audit Office for the advice and guidance.

  
**HON. CPA Moses Migwi Maina**  
**ICPAK MEMBER NO. 20661**  
**CEC- Finance and Economic Planning**

**County Government of Kirinyaga Executive Car Loan and Mortgage Fund  
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**5. REPORT OF THE FUND MANAGER/ ADMINISTRATOR**

Kirinyaga County Executive Car loan & mortgage fund was established to perform among others provide a loan scheme for the purchase, development, renovation or repair of residential property and give car loans to members. The fund caters for county executive officers who are either on permanent employment or on contract. The fund operates as a revolving fund.

During the Financial Year 2020/2021 the fund disbursed Kshs 40,210,000 to members in form of both mortgages and car loans which was an increase by Kshs 5,940,000 from the previous financial year. However, the fund had the following challenges;

- The delay in disbursements of funds to County Governments by the National Government has persisted since inception. The County Government therefore had limited resources, hurting timely implementation of the budget during the period under review.
- Constant disagreements between the two arms of Government cannot be over emphasized. The County Assembly often stepped on the mandate of the County Executive which affected the relationship and overall performance.
- The demand for the mortgage & car loans is always high compared to the available resources. This lead to a prolonged application process where the applicants have to wait since disbursements are done subjects to availability of funds.

Further the fund management will engage the county Assembly committee in charge of the department with an aim of showing the importance of the fund with an so as to get more allocation for the fund in the annual budgets.

**CONCLUSION**

The fund has great potential to provide services to its members hence this can only be achieved if adequate funding is provided. I would also like to thank the officers from the National Treasury, the Office of the Controller of Budget, the Commission on Revenue Allocation and Kenya National Audit Office for the advice and guidance.

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

**James Muguku Kimaru  
Fund Administrator**

**County Government of Kirinyaga Executive Car Loan and Mortgage Fund  
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As at June 30, 2021.**

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**CORPORATE GOVERNANCE STATEMENT**

Pursuant to Kirinyaga County Executive Car Loan & Mortgage fund established under section 116 of the public finance management Act the department is mandated to facilitate and support all the committee/boards constituted as per the Act. The committee is consisted by members known as the Advisory committee of the fund which shall consist of the following members;

- a) The county Executive Committee Member of finance who shall be the chairperson
- b) The county executive committee member of transport
- c) The Chief Officer Finance
- d) The County Secretary or his nominee
- e) County Executive Member of Health

The Advisory Committee shall be supported by a secretariat consisting of

- a) Director Administration
- b) County Attorney
- c) Two County Treasury nominee nominated by the County Head of Treasury

The meetings of the committee shall be convened by the chairperson or in absence of chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary. The officer administering the fund in accordance with PFM Act 2012 shall;

- a) Supervise and control the administration of the fund
- b) Utilize the interest accruing there to defray operating expense and may impose any reasonable restrictions or other requirements
- c) Keep book of accounts and other records

## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

It has been five (5) financial year since the introduction of the Kirinyaga County Mortgage & Car Loan Scheme Fund. To date we have disbursed Kshs261,512,500 to 158 members of staff is a good progress compared to the limited available resources which we mainly receive through the annual budgetary allocation and salaries recoveries. Though the Fund may enter into a viable financing and development partnership with a legal entity for the purpose of achieving the objectives of the Fund, the fund has never exercised this power to borrow.

The Fund continues to operate within approved guidelines for both the car loans and mortgage, we are keen on loan repayment time frames. The guidelines adopted requires, among other matters, the Management to obtain a valuation of all properties that are taken as security, and thereafter register a charge for any property financed under the Fund to effectively secure the loans.

To enhance the performance of the Fund, the Management appointed Bingwa Sacco as the Financial Institution to Administer the Fund. The Functions of the Financial Institution are;

- (a) operate individual accounts for each borrower, and provide details of recoveries of the loan;
- (b) charge security on properties acquired through loans from the Fund and act as a custodian of such charges;
- (c) transfer funds for newly approved loans to borrowers after the necessary documentation is provided;
- (d) pay all outgoings and issue demand notices to defaulting borrowers through the officer administering the Fund;
- (e) upon repayment of the loan, interest and other expenses which may be outstanding, discharge the charge and release the security documents to the borrower;
- (f) and perform such other duties as may be assigned from time to time.

The Fund has been achieving its objectives over the five financial years since its establishment even with the limited resources available to operate.

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

Executive Car loan and Mortgage fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Public Finance Management Act 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.

**1. Sustainability strategy and profile**

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

**2. Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING (CONTINUED)**

**3. Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

**4. Market place practices**

The organisation should outline its efforts to:

**a) Responsible competition practice.**

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

**b) Responsible Supply chain and supplier relations**

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

**c) Responsible marketing and advertisement**

Outline efforts to maintain ethical marketing practices

**d) Product stewardship**

Outline efforts to safeguard consumer rights and interests

**5. Community Engagements**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

**County Government of Kirinyaga Executive Car Loan and Mortgage Fund  
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**8. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

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

**10.1 Principal activities**

The principal activities of the Fund are set out on page 1

**10.2 Performance**

The performance of the Fund for the year ended June 30, 2021, are set out on page 6

**10.3 Trustees**

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page 5

**10.4 Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

**9. 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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies 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 Kirinyaga County Staff Mortgage Scheme Fund Regulations, 2015 and Kirinyaga County Staff Car Loan Scheme Fund Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:

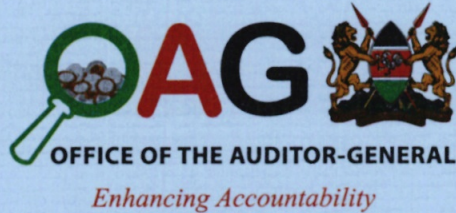


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**Fund Administrator**  
**James Muguku Kimaru**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kirinyaga County Executive Car Loan and Mortgage Fund set out on pages 36 to 76, which comprise the statement of

financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1.0 Inappropriate Presentation of Financial Statements**

As reported in the previous year, the financial statements presented for audit review refers to Kirinyaga County Executive Car Loan and Mortgage Fund. However, a review of the documents provided for audit review indicated that the County Executive operates two separate Funds; Kirinyaga County Executive Staff Car Loan Scheme Fund and Kirinyaga County Executive Staff Mortgage Scheme Fund.

In view of the above, the Management combined the financial statements of the two legally separate Funds which is contrary to the requirement of Regulation 15(1)(c) of the Kirinyaga County Public Finance Management (County Executive Car Loan Scheme Fund) Regulations, 2016 and Regulation 19(1)(d) of the Kirinyaga Public Finance Management (County Executive Staff Mortgage Scheme Fund) Regulations, 2016 which requires the officer administering each Fund to prepare separate financial statements and transmit to the Auditor-General within three (3) months after the end of each financial year.

Consequently, the financial statements provided for audit review is not in line with IPSAS template, as the template do not allow combinations of financial statements for separate entities and also is contrary to the law.

### **2.0 Inaccuracies in the Financial Statements**

#### **2.1 Variances with the Comparative Balances**

Review of the financial statements revealed that the comparative balances are at variance with prior year audited balances as detailed below;

<b>Particulars</b>	<b>Comparative 2020/2021 Balances (Kshs)</b>	<b>Prior year audited Balances (Kshs)</b>	<b>Variance (Kshs)</b>
Transfers from the County Government	11,300,000	-	11,300,000
Total Revenue	15,591,267	4,291,267	11,300,000

<b>Particulars</b>	<b>Comparative 2020/2021 Balances (Kshs)</b>	<b>Prior year audited Balances (Kshs)</b>	<b>Variance (Kshs)</b>
Surplus/(deficit) for the period	13,915,104	2,615,104	11,300,000
Accumulated Surplus	178,759,007	156,811,445	21,947,562
Loan Transfers	-	34,270,000	(34,270,000)
Finance costs	34,270,000	-	34,270,000

In the circumstances, the accuracy of the respective comparative balances for the year ended 30 June, 2021 could not be confirmed.

## **2.2 Inaccuracies in the Statement of Cash Flows**

Review of the statement of cashflows as at 30 June, 2021 revealed the comparative balances of transfers from the County Government, interest and receipts from other operating activities add up to Kshs.35,835,147 instead of Kshs.35,092,307 resulting to unexplained variances of Kshs.742,840. Additionally, the statement of cashflows reflects cash and cash equivalents as at 30 June, 2021 and as at 30 June, 2020 balances of Kshs.35,835,147 and Kshs.2,720,969 respectively which differs with Note 10, cash and cash equivalents balances of Kshs.38,264,706 and Kshs.2,509,239 resulting to unexplained variances of Kshs.2,429,559 and Kshs.211,730 respectively.

In the circumstances, the validity, accuracy and completeness of the respective balances in the statement of cashflows for the year ended 30 June, 2021 could not be confirmed.

## **2.3 Un-supported Balances**

The financial statements provided for audit review indicated that various accounts component amounting to Kshs.334,157,482 had no supporting schedules as summarized below;

<b>S/No</b>	<b>Item</b>	<b>Kshs</b>
1	Fund Administration expenses	1,436,491
2	Finance costs	80,523
3	Long term receivables from exchange transactions	163,744,970
4	Trade and other payables from exchange transactions	1,436,491
5	Revolving Fund	167,459,007
	<b>Total</b>	<b>334,157,482</b>

In the circumstances, the accuracy and completeness of the balances in the financial statements totalling Kshs.334,157,482 could not be confirmed.

## **2.4 Variances Between the Statements of Financial Position and Changes in Net Assets**

Review of the statement of financial position as at 30 June, 2021 reflects a total net assets and liabilities balance of Kshs.202,573,184 while the re-calculated totals amount to Kshs.200,573,184 resulting to unexplained difference of Kshs.2,000,000. In addition, review of the statement of changes in net assets reflects the funds received of Kshs.31,300,000 erroneously reflected under the accumulated surplus. The error adds to total balance of Kshs.243,173,185 which is at variance with the statement of financial position's net balance of Kshs.202,573,185 again resulting to un-reconciled difference of Kshs.40,600,000.

In the circumstances, the accuracy of the statement of financial position and statement changes in net assets could not be confirmed.

## **2.5 Overstated Cash and Cash equivalents**

Review of cash and cash equivalents as at 30 June, 2021 reflects a balance of Kshs.38,264,706, an amount not supported by bank reconciliation and which is at variance with the provided bank certificate of Kshs.18,185,189, resulting to unreconciled balance of Kshs.20,079,517.

In the circumstances, the completeness and accuracy of the cash and cash equivalent balance of Kshs.38,264,706 could not be confirmed .

## **2.6 Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 15 to the financial statements reflects nil balance in respect of property, plant and equipment. However, payment records of the Fund indicate purchases of assets of Kshs.194,600 and Kshs.395,800 for the prior year and year ended 30 June, 2021 respectively, totalling to Kshs.590,400, which had not been disclosed in the financial statements.

Consequently, the accuracy and completeness of the reported property, plant and equipment nil balance could not be confirmed.

## **3.0 Budgetary Control and Performance**

Review of the statement of comparison of budget and actual amounts reflects a total expenditure balance of Kshs.2,465,524 against the approved budget of Kshs.31,300,000 resulting to under absorption of Kshs.28,834,476 which is 92%.

This is a clear indication that the funds did not meet their intended objectives and service delivery to the stakeholders were not achieved.

## **4.0 Unbalanced Budget**

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects Kshs.35,579,701 and Kshs.2,465,524 in respect to approved

revenue and expenditure budgets respectively resulting to a variance of Kshs.33,114, contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that budgeted revenue and expenditure appropriations shall be balanced.

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

### **5.0 Lack of an Approved Budget**

As reported in the previous year, the Management did not provide its detailed approved budget for audit review contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Executive Emergency Fund, or supplementary estimates.

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

### **6.0 Default on Loan Repayments**

The statement of financial position and as disclosed in Note 11 of the financial statements reflects Kshs.163,744,969 in respect to receivables from exchange transactions which includes outstanding mortgage loan of Kshs.13,519,214 accrued from the principal loan balance of Kshs.14,990,000 advanced to ten members of the County Assembly who had so far defaulted on loan repayment.

In view of the above observation, the recoverability of the loan balance totalling Kshs.13,519,214 is doubtful. This is contrary to Regulation 18(1) of the Public Finance Management (Kirinyaga County Executive Staff Mortgage Scheme Fund) Regulations, 2016 which states that where a borrower defaults in the repayment of the loan for a period of three consecutive months, the administrator of the fund shall possess and sell the property by public auction or private treaty

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

### **7.0 Lack Internal Audit Function and Audit Committee**

During the year under review, the Fund did not have an Internal Audit Function or an Audit Committee in place to review and appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. This was contrary to Section 73(4) and (5) of Public Finance Management Act, 2012 that requires a public entity to have an Internal audit unit and Audit Committee.

In absence of the Internal audit function and the Audit Committee, the effectiveness of risk management, control and governance assurance is doubtful.

## **8.0 Lack of Risk Management Policy Framework**

As previously reported, there was no Risk Management Policy Framework in place to assist the Fund in forecasting, evaluation of risk and identification of procedures for avoiding or minimizing the impact of the risk. This is contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations 2015, which states that the Accounting Officer shall ensure that (a) the County Government entity develops risk management strategies which include fraud prevention mechanism and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the absence of a risk management policy, it has not been possible to confirm whether the internal controls built within the financial and operational systems of the fund were functioning as intended during the year under review.

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

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 sustain services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 Fund's 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 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**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for, Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion, on lawfulness and effectiveness in use of public resources, and an effectiveness of internal controls, risk management and governance

I am independent of Kirinyaga County Executive Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**20 July, 2022**

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11. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>  
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	Note	2020/2021 KSh	2019/2020 KSh
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1		
Transfers from the County Government	2	31,300,000.00	11,300,000.00
Fines, penalties and other levies	3		
<b>Revenue from exchange transaction</b>			
Interest income	4	4,279,701.10	4,291,266.59
Other income	5		
<b>Total revenue</b>		<b>35,579,701.10</b>	<b>15,591,266.59</b>
<b>Expenses</b>			
Fund administration expenses	6	1,436,490.58	1,430,422.20
General expenses	7	948,510.00	245,740.00
Finance costs	8	80,523.00	
<b>Total expenses</b>		<b>2,465,523.58</b>	<b>1,676,162.20</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/(deficit) for the period</b>		<b>33,114,177.52</b>	<b>13,915,104.39</b>

The notes set out on pages 62 to 74 form an integral part of these Financial Statements.

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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	38,264,706.13	2,509,239.35
Current portion of long- term receivables from exchange transactions	11		16,834,854.19
Receivables from Non- exchange transactions	12		
Prepayments	13		
Inventories	14		
<b>Non-current assets</b>			
Long term receivables from exchange transactions	11	163,744,969.57	148,114,913.93
Property, plant and equipment	15		
Intangible assets	16		
<b>Total assets</b>		<b>202,009,675.57</b>	<b>167,459,007.47</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	1,436,490.58	
Provisions	18		
Current portion of borrowings	19		
Employee benefit obligations	20		
<b>Non-current liabilities</b>			
Long term portion of borrowings	19		
Non-current employee benefit obligation	20		
<b>Total liabilities</b>		<b>1,436,490.58</b>	
<b>Net assets</b>		<b>202,573,184.99</b>	<b>167,459,007.47</b>
Revolving Fund		167,459,007.47	164,843,903.08
Reserves			
Accumulated surplus		<b>33,114,177.52</b>	2,615,104.39
<b>Total net assets and liabilities</b>		<b>202,573,184.99</b>	<b>167,459,007.47</b>

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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 \_\_\_\_\_ 2021 and signed by:



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**Administrator of the Fund  
Name: James Muguku Kimaru**



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**Fund Accountant  
Name: Job Gakuya Mwangi  
ICPAK Member Number: 18115**

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

	Revolving Fund	Revaluation Reserve KShs	Accumulated surplus KShs	Total KShs
<b>Balance as at 1 July 2019</b>			164,843,903.08	164,843,903.08
Surplus/(deficit) for the period			13,915,104.39	13,915,104.39
Funds received during the year			-	-
Revaluation gain			-	-
<b>Balance as at 30 June 2020</b>			178,759,007.47	178,759,007.47
<b>Balance as at 1 July 2020</b>			178,759,007.47	178,759,007.47
Surplus/(deficit) for the period			33,114,177.52	33,114,177.52
Funds received during the year			31,300,000	31,300,000.00
Revaluation gain			-	-
<b>Balance as at 30 June 2021</b>			243,173,184.99	243,173,184.99

(Provide details on the nature and purpose of reserves)

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

	Note	2020/2021 KSh.	2019/2020 KSh.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations			
Transfers from the County Government	2	31,300,000.00	11,300,000.00
Interest received	4	4,279,701.10	4,291,266.59
Receipts from other operating activities			19,501,041.00
<b>Total Receipts</b>		<b>35,579,701.10</b>	<b>38,561,266.59</b>
<b>Payments</b>			
Fund administration expenses	6	1,436,490.58	1,430,422.20
General expenses	7	948,510.00	245,740.00
Finance cost		80,523.00	34,270,000
<b>Total Payments</b>		<b>2,465,523.58</b>	<b>35,946,162.20</b>
<b>Net cash flows from operating activities</b>		<b>33,114,177.52</b>	<b>2,615,104.39</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
Proceeds from sale of property, plant and equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>33,114,177.52</b>	<b>2,615,104.39</b>
Cash and cash equivalents at 1 JULY	10	2,720,969.43	105,865.04
<b>Cash and cash equivalents at 30 JUNE</b>	<b>10</b>	<b>35,835,146.95</b>	<b>2,720,969.43</b>

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actuals on comparable basis	Utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
<b>Revenue</b>					
Public contributions and donations					
Transfers from County Govt.	31,300,000.00		31,300,000.00	31,300,000.00	
Interest income	4,279,701.10	-	4,279,701.10	4,279,701.10	
Other income		-			
<b>Total income</b>	<b>35,579,701.10</b>		<b>35,579,701.10</b>	<b>35,579,701.10</b>	
<b>Expenses</b>					
Fund administration expenses	1,436,490.58		1,436,490.58	1,436,490.58	
General expenses	948,510.00		948,510.00	948,510.00	
Finance cost	80,523		80,523	80,523	
<b>Total expenditure</b>	<b>2,465,523.58</b>		<b>2,465,523.58</b>	<b>2,465,523.58</b>	
<b>Surplus for the period</b>	<b>33,114,177.52</b>		<b>33,114,177.52</b>	<b>33,114,177.52</b>	<b>39%</b>

the utilisation for the financial year 2020/2021 was 39%

### **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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).           Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

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

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Standard	Effective date and impact
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting 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"> <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> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b>	<p><b>Applicable: 1st January 2022:</b></p> <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> <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>

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Early adoption of standards**

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

**3. Revenue recognition**

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

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**4. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly. 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.

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 no.11 of these financial statements.

**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.

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 7. Financial instruments

#### a) Financial assets

##### Initial recognition and measurement

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

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial 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 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 and that loss event has an impact on the estimated future cash flows of the financial

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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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)

***b) Financial liabilities***

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

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

**8. Inventories**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

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

### **Contingent assets**

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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. *Entity to state the reserves maintained and appropriate policies adopted.*

**11. 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.

**12. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

**13. 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.

**14. 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.

**15. 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/Trustee, the Fund Managers and Fund Accountant.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**16. 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 (*Remove*

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*if not applicable*) 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.

**17. Comparative figures**

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

**18. Events after the reporting period**

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

**19. Ultimate and Holding Entity**

The entity is a County Public Fund established by the PFM Act under the Department of Finance. Its ultimate parent is the County Government of Kirinyaga.

**20. Currency**

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. 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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Provisions**

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

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.

**22. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 KSh	Fully performing KSh	Partially performing KSh	Impaired KSh
<b>At 30 June 2021</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
<b>Total</b>				

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

The 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.

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Liquidity risk management**

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

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

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

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

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

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

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

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

**d) Foreign currency risk**

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2021</b>			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	KShs	KShs	KShs
<b>2021</b>			
Euro	10%		
USD	10%		
<b>2020</b>			
Euro	10%		
USD	10%		

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**f) Capital risk management**

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

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>		

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**12. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

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

(Provide brief explanation for this revenue)

**2. Transfers from County Government**

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	31,300,000	11,300,000
Payments by County on behalf of the entity		
<b>Total</b>	<b>31,300,000</b>	<b>11,300,000</b>

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

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

(Provide brief explanation for this revenue)

**4. Interest income**

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	3,481,219.59	
Interest income from car loans	798,481.51	
Interest income from investments		
Interest income on bank deposits		
<b>Total interest income</b>	<b>4,279,701.10</b>	<b>4,291,266.59</b>

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

**5. Other income**

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

**6. Fund administration expenses**

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)		
Loan processing costs	1,436,490.58	1,430,422.20
Professional services costs		
Administration fees		
<b>Total</b>	<b>1,436,590.58</b>	<b>1,430,422.20</b>

**6A. Staff costs**

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KSh	KSh
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Bank Charges		
Hospitality		
Depreciation and amortization costs		
Other expenses	948,510.00	245,740.00
<b>Total</b>	<b>948,510.00</b>	<b>245,740.00</b>

8. Finance costs

Description	2020/2021	2019/2020
	KSh	KSh
Interest on Bank overdrafts		
Other finance costs	80,523.00	
Interest on loans from banks		
<b>Total</b>	<b>80,523.00</b>	

9. Gain/(loss) on disposal of assets

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

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

**10. Cash and cash equivalents**

Description	2020/2021	2019/2020
	KShs	KShs
Kirinyaga county Car loan account		
Kirinyaga County mortgage account		
Fixed deposits account		
On – call deposits		
Current account		
Others		
<b>Total cash and cash equivalents</b>	<b>38,264,706.00</b>	<b>2,509,239.35</b>

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

Financial Institution	Account number	2020/2021	2019/2020
		KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Equity Bank, etc			
<b>Sub- total</b>			
<b>b) On - call deposits</b>			
Kenya Commercial bank			
Equity Bank - etc			
<b>Sub- total</b>			
<b>c) Current account</b>			
Kenya Commercial bank			
BINGWA SACCO		38,264,706.00	2,509,239.35
<b>Sub- total</b>			
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
Mobile Money			
<b>Sub- total</b>		<b>38,264,706.00</b>	<b>2,509,239.35</b>
<b>Grand total</b>		<b>38,264,706.00</b>	<b>2,509,239.35</b>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due		
Other exchange debtors		
Less: impairment allowance		
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	163,744,969.57	148,114,913.93
<b>Total Non- current receivables</b>	163,744,969.57	148,114,913.93
<b>Total receivables from exchange transactions</b>	163,744,969.57	148,114,913.93

Additional disclosure on interest receivable

Description	2020/2021 KSh	2019/2020 KSh
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year		
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		16,834,854
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

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

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

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

**13. Prepayments**

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

**14. Inventories**

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

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