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REPORT

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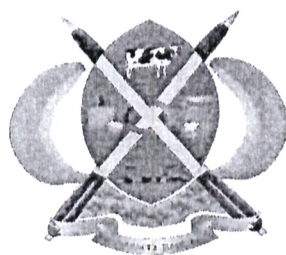
THE AUDITOR-GENERAL

ON

**NYAMIRA COUNTY EXECUTIVE
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**

REPUBLIC OF KENYA



P.O. BOX 434 -40500
NYAMIRA, KENYA

**COUNTY GOVERNMENT
OF NYAMIRA**

EXECUTIVE MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**

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

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**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nyamira County Executive Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 on May 30, 2015. The Fund is wholly owned by the County Government of Nyamira and is domiciled in Kenya.

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

b) Principal Activities

The Fund's principal activities are to:

- Process applications for loans in accordance with the set terms and conditions of borrowing.
- Liaise with the mortgage company, if any, to set up a revolving fund for the disbursement of the loans.

c) Fund Administration Committee

Ref	Name	Position
1	Muga Peter Omwanza	Chairperson
2	Vincent.E. O. Ondigi	Administrator/Secretary
3	John Omanwa	Member
4	Gladys Bogonko Momanyi	Member
5	Bernard Osumo	Member
6	CPA Dominic Barare	Member (staff)
7	Lewis Oburu	Member (staff)
8	CPA Benard Bonyi	Member (staff)

d) Key Management

Ref	Name	Position
1	Vincent E. O. Ondigi	Chief Officer, Finance & Economic Planning
2	CPA Dominic Barare	Director, Finance
3	CPA Benard Bonyi	Head of Treasury (Accounting)

**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

e) Registered Offices

P.O. Box 434 - 40500
Nyamira County Building
Off Kisii – Chemosit Road
Nyamira, Kenya.

f) Fund Contacts

Telephone: (254)-0738727272, 0735232323

E-mail: info@nyamira.go.ke

Website: www.nyamira.go.ke

g) Fund Bankers

Co-operative Bank of Kenya
Nyamirar Branch
P.O. Box 300 - 40500
Nyamira, Kenya.

h) Independent Auditors

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

i) Principal Legal Adviser

Esther Asati,
Director, Legal Services,
P.O. Box 434-40500,
Nyamira,
Kenya.

CAR LOAN AND MORTGAGE FUND MANAGEMENT COMMITTEE



Mr. Peter Omwanza Muga
CECM: Finance and Economic
Planning and Chairperson, Car Loan
& Mortgage Fund Management
Committee

NYAMIRA COUNTY EXECUTIVE

MR. PETER OMWANZA MUGA

Mr Peter Omwanza Muga who hails from Magwagwa Ward is the County Executive Committee Member for the department of **Finance and Economic Planning and the Chairperson, Car Loan & Mortgage Fund Management Committee**. He has a Bachelor of Education (Arts). Before his appointment to the current position in November 2017, Mr. Muga served as the chairman, recruitment and placement in the County Government of Nyamira's Public Service Board as from October 2013. Previously, he worked as a teacher in various capacities in different schools including: Principal Lecturer at Kericho TTC (2004- September 2013), Principal (1999-2003), Head of Department (1991-1998) and Assistant Teacher. He has a total of 27 years working experience public service.



Mr. John Moenga Omanwa
ECM: Transport Roads and Public
Works and Member, Car Loan &
Mortgage Fund Management
Committee

NYAMIRA COUNTY EXECUTIVE

MR. JOHN MOENGA OMANWA

John Moenga Omanwa who hails from Bonyamatuta ward is the County Executive Committee Member for the department of **Transport, Roads and Public Works (TRPW) and a member of the Car Loan and Mortgage Fund Management committee**. He has a Masters degree in Business Administration (Strategic Management), Bachelors degree in Commerce (Accounting) and a Diploma in Purchasing and Supplies Management. Mr Omanwa is also a CPA (K). Previously, Mr Omanwa worked for the County Government of Nyamira as a County Executive Committee Member in the departments of Finance and Economic Planning (October 2013 to September 2015), Trade, Tourism and Cooperatives Development (September 2015 to January 2017) and TRPW (January to September 2017). He was reappointed as the county executive committee member in charge of TRPW in November 2017. He has a total of 13 years working experience in public service.



Ms. Gladys Bogonko Momanyi

*ECM: Education And Youth
Empowerment and Member, Car
Loan & Mortgage Fund
Management Committee
NYAMIRA COUNTY EXECUTIVE*

MS GLADYS BOGONKO MOMANYI

Ms Gladys Bogonko Momanyi who hails from Nyansiongo Ward the County Executive Committee Member for the department **Education and Youth Empowerment**

Mrs Momanyi, who is currently pursuing a Doctorate of Philosophy in Conflict Analysis and Resolution, is a holder of Masters of Arts in Peace and Justice and a Bachelor of Education (Arts). She also has Postgraduate certification in Database, GIS and Remote Sensing. She has worked for the County Government of Nyamira as County Executive Committee Member in three Departments namely Education & ICT (October 2013-March 2015), Public Administration & Coordination (March-October 2015) and Health Services (November 2015-September 2017). She was then re-appointed to the current position in November 2017.

She has a total of 23 years working experience in public service.



Mr. Bernard Mang'aa Osumo

*ECM: Public Service Management
and Member, Car Loan & Mortgage
Fund Management Committee
NYAMIRA COUNTY EXECUTIVE*

MR. BERNARD MANG'AA OSUMO

Mr Bernard Mang'aa Osumo who hails from Nyamaiya Ward is the County Executive Committee Member for the department of **Public Service Management**

He holds a Bachelor of Education (Science) degree and a Diploma in Education Management. Before his appointment to the current position in November 2017, he worked in various capacities in different Secondary Schools among them: Principal (1990 to 2017), Deputy Principal (1987-1989) and Senior HOD. Mr Osumo also performed well in sports in schools where he served.



Mr. Vincent.E. O. Ondigi
***County Chief Officer Finance and
Economic Planning and Car Loan
and Mortgage Fund Administrator***
NYAMIRA COUNTY EXECUTIVE

MR. VINCENT .E. O. ONDIGI

Mr Vincent E. O. Ondigi is the County Chief Officer for the department of Finance and Economic Planning and the Fund Administrator for the County Executive Car Loan and Mortgage Fund. Previously, Mr Ondigi worked for the County Government of Nyamira as a Chief Officer in the Department of Agriculture, Livestock and Fisheries.



Mr. Lewis Oburu
***Deputy Director, Payroll
Management and Member,
Car Loan and Mortgage Fund
Management Committee***
NYAMIRA COUNTY EXECUTIVE

MR. LEWIS OBURU

Mr. Lewis Oburu is the **Deputy Director, Payroll Management and a member of the Car Loan and Mortgage Fund Management committee.**

He has a Masters of Science in Human Resources Management from the Jomo Kenyatta University of Agriculture and Technology, Bachelor of Arts (Economics) degree from Kenyatta University and a Higher National Diploma in Human Resources Management. Before joining the County Government service, Mr Oburu worked for the Ministry of Water and the Electoral Commission of Kenya. He has a total of 20 years working experience.



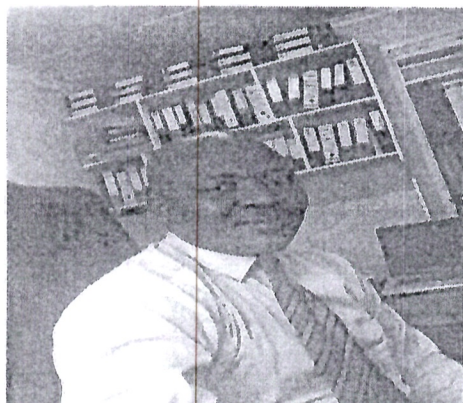
***CPA Dominic Barare
Director, Finance and Member,
Car Loan and Mortgage Fund
Management Committee
NYAMIRA COUNTY EXECUTIVE***

CPA DOMINIC BARARE OYUGI

CPA Dominic Barare Oyugi who hails from Bogichora ward is the **Director, Finance and a member of the Car Loan and Mortgage Fund Management committee.**

He has a Masters degree in Business Administration (Finance), Bachelors degree in Business Administration. CPA Oyugi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Previously, CPA Oyugi worked for the County Government of Nyamira as a Deputy Director of Health, Finance and Administration. Before joining the County Government service, CPA Oyugi served as a Regional Accountant for Kenya Rural Roads Authority (KERRA)

He has a total of 18 years working experience.



***CPA Benard Osoro Bonyi
Head of Treasury(Accounting) and
Member,
Car Loan and Mortgage Fund
Management Committee
NYAMIRA COUNTY EXECUTIVE***

CPA BENARD OSORO BONYI

CPA Benard Osoro Bonyi is the **Head of Treasury (Accounting) and a member of the Car Loan and Mortgage Fund Management committee.**

He has a Masters degree in Business Administration (Finance) from the University of Nairobi, Bachelors degree in Business Management (Finance and Banking) from Moi University. CPA Bonyi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and has done a Senior Management Course from the Kenya School of Government. Previously, CPA Bonyi worked for the County Government of Nyamira as a Senior Accountant. Before joining the County Government service, CPA Bonyi served in the private sector as a Certified Accountant and Auditor. He has a total of 16 years working experience

**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

2. FUND CHAIRPERSON'S REPORT

During the financial year 2015/2016, the County created a revolving mortgage scheme fund by the name Nyamira County Executive Mortgage Scheme Fund to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme (Executive Committee Member or County Public servant). The loans issued to each County Executive Committee Member would not exceed Kenya Shillings three Million, repayable within the term in office of the office bearers at an interest rate of three (3) Percent per annum on reducing balance.

Upon operationalization of the Fund in August 2015 an initial fund outlay of Kshs. 52,500,000 was injected from the County Treasury. In line with the provisions of the Fund regulations, loans were advanced to the interested eligible members being, H.E. the Governor, H.E. the Deputy Governor, ten County Executive Committee Members (CECMs) and the County Secretary. The loan disbursements for the two financial years ended June 2017 totalled Ksh. 57,500,000. All the scheme members but for the County Secretary had their loan term expiring in August 2017.

August 2017, following the General elections, marked the end of contract term for the Governor, Deputy Governor and County Executive Committee members that had been elected or appointed in the year 2013. Of these twelve scheme members whose loan term expired in August 2017, the Governor, Deputy Governor and seven CECMs fully serviced the loans advanced to them. However, three CECMs had un-serviced loans totalling Kshs. 3,312,666. Ksh 883,938 is to be recovered from the gratuity due to one former CECM and the balance of Ksh 2,428,728 is to be recovered from the other two former CECMs.

After the August 2017 general election that saw the re-election of the governor, H.E. John Obiero Nyagarama to office, ten County Executive Committee members were appointed to office with effect from November 1, 2017. Four of these County Executive Committee members plus four other County staff members serve in the County Executive Mortgage Scheme Fund management committee.

Ksh. 54,000,000 was disbursed to the eligible members between January 2018 and June 2018. Further Kshs. 1,400,000 and Kshs. 3,800,000 was disbursed in the quarters ended September 2018.

**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

and March 2019 respectively. But for one CECM who resigned in October 2018, all the other members who were advanced loans continued to service their loans as per the set terms and conditions.

Kshs. 1,793,447 Fringe Benefit Tax (FBT) remains outstanding since inception of the Fund to the year ended June 2019. This outstanding tax is analysed as to be relating to the various financial years as below:

Financial Year	Fringe Benefit Tax due
2015/16	502,866
2016/17	385,216
2017/18	310,058
2018/19	595,311
Total	1,793,447

The above FBT was calculated during the quarter ended June 30, 2019 during a tax assessment exercise by the Kenya Revenue Authority. As such, in the financial statements, this tax obligation of Kshs. 1,793,447 is reported under the year ended June 30, 2019. For the financial year under review, the Fund recorded a deficit of Kshs. 522,395 up from a deficit of Kshs 33,444 reported in the prior financial year ended June 30, 2018. Net assets and liabilities of Ksh 56,287,961 were reported during the year under review, up from Kshs. 55,016,910 reported in the prior financial year ended June 30, 2018

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Car and Mortgage Scheme Fund for the year ended June 30, 2019.


Mr. Muga Peter Omtwanza

CHAIRPERSON - MORTGAGE SCHEME FUND COMMITTEE



**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

3. REPORT OF THE FUND ADMINISTRATOR

Section 19 (d) of the Nyamira County Executive Mortgage Scheme Fund Regulations, 2015 provides that the Administrator of the Fund shall prepare, sign and transmit to the Auditor General in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund, prepared and signed by him or her specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as the committee may from time to time direct in accordance with the Public Finance Management Act.

The Nyamira County Executive Mortgage Scheme Fund was operationalized in August 2015 upon injection of Ksh 52,500,000 initial fund outlay from the County Treasury. The Fund has since not .appropriations in regard to the mortgage fund were done or added as per the governing body's approval.

In the year under review, the Mortgage fund recorded a deficit of Ksh. 522,395 by netting total expenditure of Kshs.1,857,222, against total revenue of Kshs. 1,334,827. An initial outlay of Kshs. 52,500,000 was injected from the County Treasury during the 2015/16 financial year. With the accumulated surplus brought forward from the previous periods of Kshs. 1,213,255, the Fund recorded total net assets and liabilities of Kshs. 56,287,961.

During the year under review, loan disbursements totalling to Kshs. 5,200,000 were done to scheme members. Principal loan recoveries of Kshs. 18,859,578 were done. The Fund ended up with Ksh 17,710,409 in cash and cash equivalents and loan receivables from scheme members of Kshs. 38,577,553.

The existing Fund governing regulations provides for only the executive county staff as the eligible scheme members. Plans are underway to widen the scope of membership to the fund for the benefit of the other non-executive county staff as per provisions of the Salaries and Remunerations Commission circular.

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Car and Mortgage Scheme Fund for the year ended June 30, 2019.


Vincent E. O. Ondigi
FUND ADMINISTRATOR

**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

4. CORPORATE GOVERNANCE STATEMENT

Section 6 of the Nyamira County Executive Mortgage Scheme Fund Regulations, 2015 provides for the establishment of a Loans Management Committee. The Loans Management Committee was the governing body for the mortgage fund. This committee had eight members.

During the year under review, eight meetings was held by the Loans Management Committee.



Mr. Muga Peter Omwanza

CHAIRPERSON - MORTGAGE SCHEME FUND COMMITTEE

**Nyamira County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the Year ended June 30, 2019**

5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each year, the Administrator of a County Public Fund established by Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 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 year ended on June 30, 2019. 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 Nyamira County Executive Mortgage 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 year ended on June 30, 2019, 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

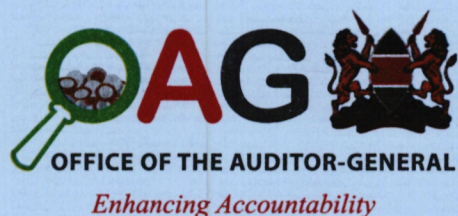
The Fund's financial statements were approved by the management committee on June 30, 2019 and signed on its behalf by:



Vincent E. O. Ondigi
FUND ADMINISTRATOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYAMIRA COUNTY EXECUTIVE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyamira County Executive Mortgage Scheme Fund set out on pages 15 to 25, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyamira County Executive Mortgage Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unrecovered Loans

The statement of financial position reflects a balance of Kshs.38,577,553 in respect to outstanding loans which includes Kshs.4,873,544 relating to defaulted loans as at 30 June 2019. Documents provided for audit revealed that out of the Kshs.4,873,544, loans, an amount of Kshs.3,367,256 had no security while the balance of Kshs.1,506,288 was secured with un-charged title deed.

Consequently, the recoverability of the Kshs.4,873,544 on outstanding loans could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nyamira County Executive 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Disbursement of Mortgage Loans

The statement of financial position as at 30 June, 2019 reflects Kshs.52,500,000 in respect of car loan and mortgage fund which includes Kshs.5,200,000 disbursed during the year under review. However, valuation reports, copies of the designs of the proposed residential property duly approved and bills of quantities in respect of the proposed development, renovation or repair were not provided for audit contrary to Regulations 10 and 11 (a) and (b) of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015.

In the circumstances, the regularity and validity of the loan disbursements of Kshs.5,200,000 could not be confirmed.

2. Construction of Residential Properties

The statement of cash flows for the year under review indicates that the Nyamira County Executive Mortgage Scheme Fund had disbursed loans totaling Kshs.59,200,000 as at 30 June, 2019 comprising of Kshs.54,000,000 and Kshs.5,200,000 in 2017/2018 and 2018/2019 financial years respectively for the construction of residential properties. However, no progress reports or evidence of construction of residential properties were provided for audit review to confirm that the loans were used for the intended purposes contrary to Regulations 9 (1) of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015.

In the circumstances, the value for money for the Kshs.59,200,000 could not be confirmed. In addition, the Management breached the law.

3. Failure to Register Charge on Securities

Documents provided for audit revealed that the Fund had not registered a charge on the properties financed through a loan contrary to Regulation 16(1) of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 which states that the Board shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

In the circumstances, the Management breached the law.

4. Non-Remittance of the Fringe Benefit Tax

Documents provided for audit revealed that the Fund Management deducted fringe benefit tax of Kshs.1,793,447 in the year under review but did not remit to the Kenya Revenue Authority (KRA) contrary to Section 12B(1) of the Income Tax Act, Cap 470

In the circumstances, the Management breached the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of Nyamira County Executive Mortgage Scheme Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

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

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

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

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


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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

21 September, 2021

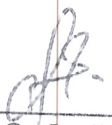
Nyamira County Executive Mortgage Scheme Fund
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 For the Year ended June 30, 2019


7. FINANCIAL STATEMENTS

7.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018 - 2019 Kshs.	2017 - 2018 Kshs.
Revenue from Exchange transactions			
Interest Income	1	1,334,827	593,221
Total Revenue		1,334,827	593,221
Expenses			
Administrative expenses	2	1,855,447	621,000
Finance costs (bank charges)	3	1,775	5,665
Total Expenses		1,857,222	626,665
Surplus(Deficit) for year		(522,395)	(33,444)
Surplus(Deficit) for previous periods		1,735,650	1,769,095
Surplus(Deficit) C/F		1,213,255	1,735,651

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 June 30, 2019 and signed by:


 Vincent E. O. Ondigi
 Fund Administrator


 Rael Nyandika
 Fund Accountant
 ICPAK NO. 15885

**Nyamira County Executive Mortgage Scheme Fund
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For the Year ended June 30, 2019**

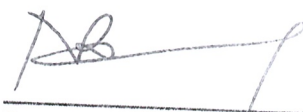
7.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	2018 - 2019 Kshs.	2017 - 2018 Kshs.
Assets			
Cash and cash equivalents			
Outstanding loan balances	4	17,710,409	2,903,849
	5	38,577,553	52,113,061
Total Assets		56,287,961	55,016,910
Liabilities			
Loan overpayments			
Fringe Benefit Tax payable	6	781,259	781,259
Total Liabilities		1,793,447	-
		2,574,706	781,259
Net Assets			
Car Loan & Mortgage Fund		52,500,000	52,500,000
Accumulated surplus		1,213,255	1,735,651
Total net assets		53,713,255	54,235,651
Total net assets and liabilities		56,287,961	55,016,910

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 June 30, 2019 and signed by:



Vincent E. O. Ondigi
Fund Administrator



Rael Nyandika
Fund Accountant
ICPAK NO. 15865

Nyamira County Executive Mortgage Scheme Fund
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 For the Year ended June 30, 2019

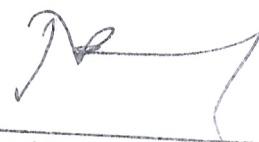
7.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	52,500,000.00		1,769,094	54,269,094.00
Surplus/(deficit) for the period	-		-33,444.00	-33,444.00
Funds received during the year	-			
Balance as at 30 June 2018	52,500,000.00		1,735,650.00	54,235,650.00
Balance as at 1 July 2018	52,500,000.00		1,735,650.00	54,235,650.00
Surplus/(deficit) for the period	-		-522,394.88	-522,394.88
Funds received during the year	-			
Revaluation gain	-			
Balance as at 30 June 2019	52,500,000.00		1,213,255	53,713,255.12

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 June 30, 2019 and signed by:



Vincent E. O. Ondigi
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7.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

		2018 - 2019	2017 - 2018
	Note	Kshs.	Kshs.
Cash and cash equivalents B/F		2,903,850	48,011,999
Cash flows from operating activities			
Receipts			
Loan recoveries		20,070,335	14,833,827
		20,070,335	14,833,827
Payments			
Disbursements to Scheme members		5,200,000	54,000,000
Finance cost		1,775	5,665
Administrative Expenses			
Other payments		62,000	621,000
Net cash flows from operating activities		-	5,315,311
		5,263,775	59,941,976
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at end of the period		14,806,560	(45,108,149)
		17,710,410	2,903,850

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 June 30, 2019 and signed by:



Vincent E. O. Ondigi
Fund Administrator



Rael Nyandika
Fund Accountant
ICPAK NO. 15865

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**7.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2019**

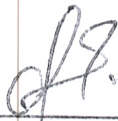
	Budget	Actual			Explanation of material variances
	2018 - 2019	2018 - 2019	Variance		
	Kshs	Kshs	Kshs		
Revenue					
Interest Income	2,000,000	1,334,827	665,173	33%	(a)
Total Revenue	2,000,000	1,334,827	665,173		
Expenses					
Administrative Expenses	494,000	1,855,447	- 1,361,447	-276%	(b)
Finance costs	1,800	1,775	25	1%	
Total expenditure	495,800	1,857,222	- 1,361,422		

**Explanantion of material
variance**

(a) The loans were advanced in January 2018 (half-way through the financial year), when the new CECMs came into office

(b) The Administrative expenses includes fringe benefit tax payable since inception of the fund in October 2015

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 June 30, 2019 and signed by:



Vincent E. O. Ondigi
Fund Administrator



Rael Nyandika
Fund Accountant
ICPAK NO. 15865

**Nyamira County Executive Mortgage Scheme Fund
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. 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.

3. 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.

4. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

5. 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 Cooperative Bank of

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Kenya 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

6. Comparative figures

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

7. Events after the reporting period

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

8. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 under the Ministry of Finance and Planning. Its ultimate parent is the County Government of Nyamira.

9. Currency

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

Nyamira County Executive Mortgage Scheme Fund
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7.6. NOTES TO THE FINANCIAL STATEMENTS

1 Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans	1,334,827.00	593,221.00
Total interest income	1,334,827.00	593,221.00

2 Staff (Administrative) costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fringe benefit tax payable	1,793,447.00	
Other staff costs	62,000.00	621,000.00
Total	1,855,447.10	621,000.00

3 General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Bank charges	1,775.00	5,665.00
Total	1,775.00	5,665.00

4 Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Account - Cooperative Bank A/c 01141348866500	15,999,721.00	17,968.00
Unremitted Payroll deductions	1,710,688.00	2,885,881.00
Total cash and cash equivalents	17,710,409.00	2,903,849.00

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5 Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	38,577,553.00	52,113,061.00
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	38,577,553.00	52,113,061.00
Non-Current receivables		
Long term loan repayments due		
Total Non-current receivables		
Total receivables from exchange transactions	38,577,553.00	52,113,061.00

6 Trade and other payables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses	1,793,447.00	
Other payables - loan overpayments	781,259.00	781,259.00
Total trade and other payables	2,574,706.00	781,259.00

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7 Borrowings

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Balance at beginning of the period		5,315,311.00
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestics borrowings during the period (Nyamira County Assembly)		-5,315,311.00
Balance at end of the period		-

8 Cash generated from operations

	FY2018/2019	FY2017/2018
	KShs	KShs
Surplus for the year before tax	-522,395.00	593,221.00
Adjusted for:		
Depreciation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Decrease in receivables		
Increase in payables		
Net cash flow from operating activities	-522,395.00	593,221.00

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9 Related party balances

a) Related party transactions		
	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		5,315,311.00

b) Key management remuneration		
	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees		
Key Management Compensation	62,000.00	621,000.00
Total	62,000.00	621,000.00

c) Due from related parties		
	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry		
Due from County Government	1,710,688.00	2,885,881.00
Total	1,710,688.00	2,885,881.00