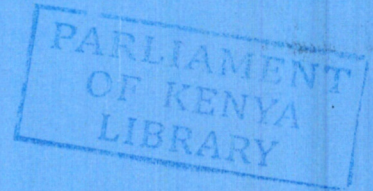


REPUBLIC OF KENYA



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**REPORT**



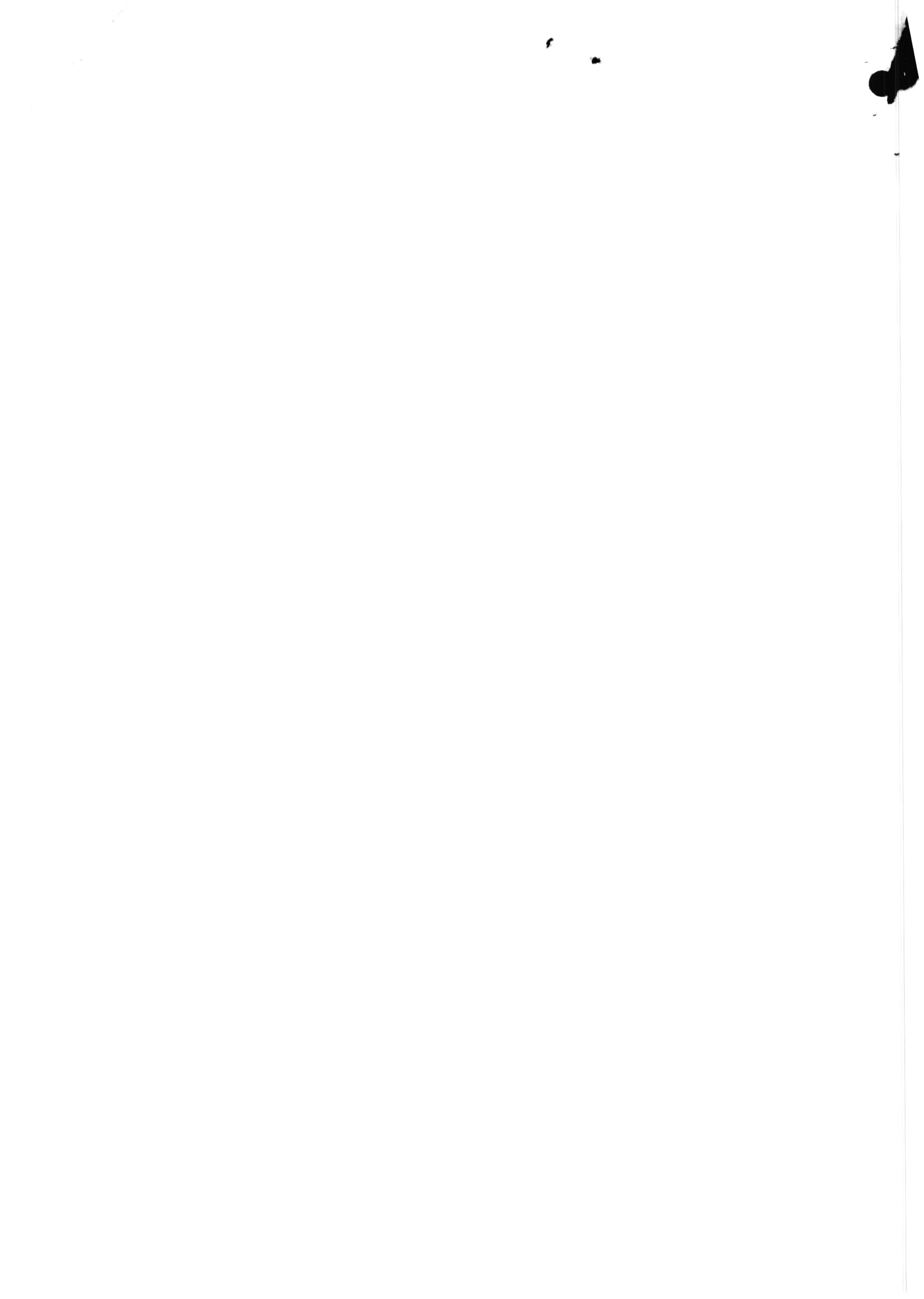
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THARAKA NITHI COUNTY ASSEMBLY  
CAR LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





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**THARAKA NITHI COUNTY ASSEMBLY CARLOAN & MORTGAGE  
FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

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

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***Tharaka Nithi County Assembly Carloan&Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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## **1. Key Entity Information and Management**

### **a) Background information**

The Carloan and Mortgage Scheme Fund was established pursuant to the Salaries and Remuneration Circular No.SRC/TS/WB/3/14 of 14<sup>th</sup> February, 2014. Section 167 of the Public Finance Management Act 2012. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The fund's objective is to grant car loan and Mortgage to the Honourable Members and its staff.

### **b) Principal Activities**

The principal Activity for the County Assembly Revolving Members Scheme Fund is to disburse loans to the Members of the Tharaka Nithi County Assembly to facilitate them acquire residential property (Mortgage Loan) and motor vehicles (Car Loan).

Tharaka Nithi County Assembly Fund management committee has its principal activity/mandate/vision, mission and core values as highlighted below:

#### **Vision**

To be a supreme, effective, efficient and self-sustaining County Assembly Fund Management Committee as a major participant in the process of good governance.

#### **Mission**

To facilitate members of Tharaka Nithi County Assembly Fund Management Committee to efficiently and effectively fulfil the constitutional mandate in a representative system of devolved government.

#### **Core Objectives**

- a) Professionalism and team work
- b) Accountability
- c) Transparency and Integrity
- d) Courtesy
- e) Efficiency and Responsiveness
- f) Prudent use of Resources

**Tharaka Nithi County Assembly Carloan & Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**c) Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Hon. John David Mbaya	Chairperson
2	Hon. Peterson Mwirigi	Member
3	Hon. Erastus Kinyua	Member
4	Hon. Wilson Nyaga	Member
5	Amos Kiangwe Sikweya	Member

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Amos Kiangwe Sikweya	Fund Manager/Administrator
2	Polly Kagendo Mbae	Fund Accountant

***Tharaka Nithi County Assembly Carloan & Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**e) Registered Offices**

Tharaka Nithi County Assembly  
P.O. Box 694,  
Chuka County Council offices,  
Along Chuka Meru Highway,  
Chuka, Kenya.

**f) Fund Contacts**

Telephone: 202399828  
E-mail: [tharakanithicountyassembly@gmail.com](mailto:tharakanithicountyassembly@gmail.com)  
Website: [Http://.tharakanithica.go.ke](http://tharakanithica.go.ke)

**g) Fund Bankers**

1. Kenya Commercial Bank,  
P.O Box 4,  
Chuka,  
Kenya.






**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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



**2. FUND ADMINISTRATION COMMITTEE**

Name	Details of qualifications and experience
 <p>Hon. David John Mbaya</p>	<p>Speaker of the County Assembly of Tharaka Nithi and the Chairperson to the Car loan and Mortgage Committee. He is also the Chairman to the County Assembly Service Board.</p> <p>He is holder of Bachelor of Laws.</p> <p>He was born 4<sup>th</sup> November, 1966.</p> <p>He has over 15 years working experience.</p>
 <p>Hon. Peterson Mwirigi</p>	<p>The Majority Leader and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi.</p> <p>He is holder of Diploma in Public relations.</p> <p>He was born on 17<sup>th</sup> March 1981.</p> <p>He has over 15 years working experience.</p>
 <p>Hon. Erastus Kinyua</p>	<p>The Minority Whip and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi.</p> <p>He is holder of Diploma in Business Management.</p> <p>He was born on 1<sup>st</sup> January 1973.</p> <p>He has over 15 years working experience.</p>
 <p>Hon. Wilson Nyaga</p>	<p>The Minority Leader and a Member to the Car loan and Mortgage Committee. He is a member of County Assembly of Tharaka Nithi.</p> <p>He is holder of Bachelor of Business Administration in corporate leadership &amp; governance.</p> <p>He was born on 21<sup>st</sup> November 1974.</p> <p>He has over 15 years working experience.</p>
 <p>Amos Kiangwe Sikweya</p>	<p>Clerk of the County Assembly of Tharaka Nithi and the Fund Administrator.</p> <p>He is holder of Master degree of Arts public policy and administration.</p> <p>He was born 9<sup>th</sup> December 1983.</p>

**Tharaka Nithi County Assembly Carloan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

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Management Team

Name	Details of qualifications and experience
 <p>Amos Kiangwe Sikweya</p>	<p>Clerk of the County Assembly of Tharaka Nithi and the Fund Administrator.</p> <p>He is holder of Master degree of Arts public policy and administration.</p> <p>He was born 9<sup>th</sup> December 1983.</p> <p>He has over 10 years working experience.</p>
 <p>Polly Kagendo Mbae</p>	<p>She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Ag: Director finance &amp; Accounts.</p> <p>She is a holder of Master's degree in finance and CPK finalist.</p> <p>She was born 23<sup>rd</sup> December, 1979.</p> <p>She has over 10 years working experience.</p>

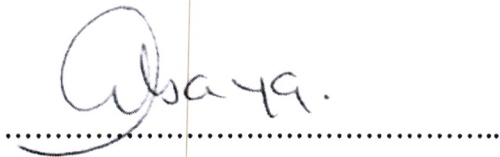
### **3. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT**

The Carloan and Mortgage Scheme Fund was established pursuant to the Salaries and Remuneration Circular No.SRC/TS/WB/3/14 of 14<sup>th</sup> February,2014.Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of the Annual Financial Statements. The fund is managed internally by the County Assembly of Tharaka Nithi and will effectively run the Fund with the professionalism required.

During the year, no changes occurred in terms of the Fund committee or key management team .The Fund operates on revolving fund and repayments from members who have already benefited.

During the year under review the fund account has been able to raise interest amounting to Ksh 1,598,102.00

The Tharaka Nithi County Assembly Fund Account was funded by transfers of monthly repayments from members and staff who has benefited though they have budget for funds in the Budget Estimates for the year 2022/2023 for a total of Kshs 30,000,000.



**Name: Hon David John Mbaya**

**Chairperson**

**Tharaka Nithi County Assembly Carloan&Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**4. REPORT OF THE FUND ADMINISTRATOR**

Section 116(7) of the Public Finance Management Act, 2012 requires the administrator to prepare financial statements in respect of that County Assembly Fund Account, which give a true and fair view of the state of affairs of the County Assembly Fund Account at the end of financial year and the operating results of the Tharaka Nithi County Assembly Fund for that year. The members of Fund management committee are outlined on page vi.


In the Exercise of the powers conferred by section 116 of the Public Finance Management Act, 2012 Tharaka Nithi County Assembly revised its fund regulations for the better Fund Committee composition as the regulation no 5(1).

During the year under review the fund account has been able to raise interest amounting to Ksh 1,598,102.00 where by Ksh 1,517,405 is interest income and Ksh 80,697 is interest receivable

The Tharaka Nithi County Assembly Fund Account was funded by transfers of monthly repayments from members and staff who has benefited though they have budget for funds in the Budget Estimates for the year 2022/2023 for a total of Kshs 30,000,000.

This responsibility of the Fund Administrator includes:

- i) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- ii) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- iii) Safeguarding the assets of the County Assembly;
- iv) 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.



.....  
**Name: Amos Kiangwe Sikweya**

**Fund Administrator**

## **5. Statement of Performance Against the County Fund's Predetermined Objectives**

### **Introduction**

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

The key development objectives of the Tharaka Nithi County Assembly Entity's 2020-2025 strategic plan.

- i) To enhance the capacity of MCAs for effective representation*
- ii) To advocate and petition on behalf of the citizen.*
- iii) To strengthen gathering analysis and enhance of information.*
- iv) To promote legislation through enacting laws that is progressive and relevant.*
- v) To motivate the stakeholders to own the legislative process.*
- vi) To promote a practice of prudent stewardship.*
- vii) To monitor implementation of Assembly decision.*
- viii) To attract, develop and retain competent human capital.*
- ix) To establish prudent management of finance and resources mobilization.*
- x) To improve corporate image.*
- xi) To embrace information communication technology.*

## **6. Corporate Governance Statement**

During the Financial Year 2021/2022 the Fund Management Committee have held sixteen sittings to deliberate on various issues pertain the fund and manage to come up with new regulations both for Honourable members and staff separately where for members is now on operation and for the staff is work in progress.

Succession plan-The County Assembly Service Board approved Regulations for management of car loans and mortgages for the members of staff which is separate from the regulations of the members of the County Assembly.

Board/Trustee Charter-There is no existing Charter for Loan Management Committee but its part of the future plans.

Process of appointment/removal of committee member-The Tharaka Nithi County Assembly Car Loans and Housing Fund Regulations Section 5(1) provides for the membership of the loans management committee which comprises of the House Leadership. This means therefore, if one member of the committee resigns or is removed from the leadership position, the members automatically cease to be a member of the loan management committee.

Roles and functions of the committee-Section 5(6) of the Tharaka Nithi County Assembly car loans and Housing Fund Regulations provides for the following roles of the loan management committee.

- a) Process applications for loans in accordance with the existing terms and conditions of borrowing;
- b) Liaise with the mortgage institution (if any) to set up a revolving fund for the disbursement of the loans; and
- c) Supervise the day-to-day running of the fund.

Induction and Training-The loan management committee undertook a workshop to review the Tharaka Nithi County Assembly car loans and Housing Fund Regulations. The committee engaged an expert to support them through the process. In addition, the committee held a consultative forum with various financial agencies to deliberate on how they could in and bridge the financial gap at a considerable interest rate.

Loan management committee performance-During the Second Assembly of the Loan management committee all the Honourable Members and Honourable Speaker of County Assembly were disbursed Car loans and Mortgage which were fully repaid by 31<sup>st</sup> July, 2022.

Conflict of interest-There is no conflict of interest for the members of the loans management committee since the loans to be disbursed to the members of the county assembly are well stipulated within the Salaries and Remuneration Commission circular.,

***Tharaka Nithi County Assembly Carloan&Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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Remuneration-Section5(2)of the Tharaka Nithi County Assembly Car loans and Housing Fund Regulations provides that the members of the committee shall be paid such allowances and disbursements for expenses as may be approved by the Board from the monies appropriated by the County assembly.

Ethics and conduct as well as governance audit-The loans Management Committee acts in accordance to the guidelines stipulated in the Regulations. Further, the Office of the Auditor General undertakes annual audit and compiles a report to the County Assembly Service Board.

***Tharaka Nithi County Assembly Carloan&Mortgage Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**7. Management Discussion and Analysis**

During the financial year 2021/2022 operations Tharaka Nithi County Assembly was able to amend its funds regulation and this enabled the formation of the correct membership of fund administration committee as per the Regulation Section 5(1).

Tharaka Nithi County Assembly adheres with statutory requirements as they administer the funds to its members, for instance they deduct and submits the tax on committee sittings to Kenya Revenue Authority and file returns in return at the right time in order to avoid fines and penalties.

Due to lack of enough money in the revolving account of the Assembly the management of Tharaka Nithi County Assembly has started negotiations with other banks pertaining Car loan mortgage issues to enable all of his members to be able to access both car loans and mortgages at least lower rate for them to grow themselves.

The management of Tharaka Nithi County Assembly is in process of doing separate regulations for staff members to enable them run a separate Car loan &Mortgage Account in future which is an on-going issue.

Currently there are no major risks facing the fund because deductions are done through the payroll department for the loans owned by the Honourable Members and the Staff and paid together with salary. The Tharaka Nithi County Assembly Fund administration Committee also give secured Loans to its members where everyone taking loan has to give out an asset apart from payslip in order to acquire loan which the Assembly has already initiated charging process.

## **8. Environmental and Sustainability Reporting**

Tharaka Nithi County Assembly 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 these 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 Accounting Officer of the County Assembly ensures that the Assembly operates in the ecological, social and economic environment where he ensures that the Assembly do the following;

- Set goals and commitments to be achieved within a given period.
- Engages with stakeholders in various issues.
- Establish systems and processes in the Assembly, which are strictly followed.
- Take track process, communicate actions and meet expectations.

**2. Environmental performance-** The County Assembly Service Board in collaboration with Kenya Urban Roads Authority was able to do grading and constructing the retainers on feeder roads around the County Assembly. The county Assembly has also done beautification of the compound by planting trees, flowers and grass around the compound.

**3. Employee welfare-**Tharaka Nithi County Assembly have policies guiding the hiring process which includes schemes of services which describes requirements for engagement, job descriptions, duties and responsibilities and career progression. After engagement of staff is done, there is staff induction, training and development with the guide of training and development policy to improve their skills and expertise which go a long way in improving performance. The County Assembly of Tharaka Nithi have a strategic plan which is in use and is reviewed after Five years that is year 2025 and other policies will be reviewed after three years. Tharaka Nithi County Assembly we do not have a policy on OSHA but we have catered for PDWs in that we have disability ramps where there are staircases or raised ground in our offices.

#### **4. Market place practices-**

The organisation should outline its efforts to:

- i. Responsible competition practice-The County Assembly Service Board ensures that there is fairness and transparency during employment and in case one is caught in the act of bribery he or she is dismissed from attending the interviews. It also ensures that their staffs are non-partisan.
- ii. Responsible Supply chain and supplier relations-The County Assembly of Tharaka Nithi use open tenders to allow competition among business entities, awarding to the lowest evaluated bidder and prompt payment after delivery.
- iii. Responsible marketing and advertisement-The County Assembly of Tharaka Nithi make sure that advertisement is done for pre-qualification or registration of suppliers, advertisement for open tenders and use of public participation and advertisement in at least two dairies.
- iv. Product stewardship- Tharaka Nithi County Assembly make sure that the products delivered are of good quality and right specification as per request by the department.
- v. **Community Engagements-** County Assembly of Tharaka Nithi engaged their staff in cleaning of the market in the last financial year.
- vi. Tharaka Nithi County Assembly has promoted education through formulation and enactment of the pre-primary education bill which has promoted Ecde by employment of teachers in our primary school.
- vii. Tharaka Nithi County Assembly has promoted sports in participation in the County Assemblies sports Association events also they have participated in Kicosca games.
- viii. Tharaka Nithi County Assembly has promoted healthcare through formulation and enactment of the Tharaka Nithi County Health Services and sanitation bill.
- ix. Tharaka Nithi County Assembly has promoted formulation and enactment of the Tharaka Nithi County water services bill.
- x. Tharaka Nithi County Assembly has promoted staff training through training our staff through need assessment by training committee.

## **9. FUND ADMINISTRATION COMMITTEE REPORT**

The fund administration committee submit their financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

### **Principal activities**

The principal activity of the Fund is to disburse loans to the Members of the Tharaka Nithi County Assembly.

### **Results**

The results of the Fund for the year ended June 30, 2022 are set out on page 1 and 4 where income received during the period and principal received is outlined.

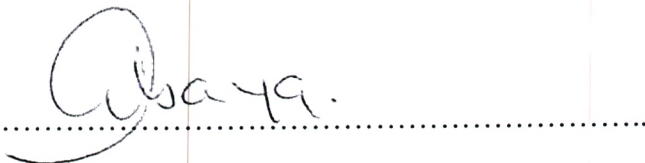
### **Fund administrators**

The members of the fund committee who served during the year are shown on page vi.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by the Auditor General to carry out the audit of the *Tharaka Nithi County Assembly* for the year/period ended June 30, 2022 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].

By Order of the Board



.....

**Hon David John Mbaya**

**Chairman of the Fund Administration Committee**

**Date: 29<sup>th</sup> July, 2022**

## **10. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by (*The Fund should state the appropriate legislation establishing the Fund*) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

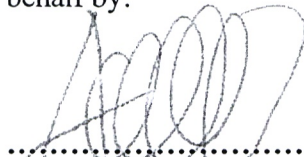
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 (*quote the applicable legislation establishing the County Public Fund*). 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, 2022, 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 29<sup>th</sup> July,2022 and signed on its behalf by:



.....  
**Name: Amos Kiangwe Sikweya**  
**Administrator of the County Public Fund**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON THARAKA NITHI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the year ended 30 June, 2022 set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in

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*Report of the Auditor-General on Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the year ended 30 June, 2022*

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 Tharaka Nithi County Assembly Car Loan and Mortgage Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017.

## **Basis for Qualified Opinion**

### **1.0 Inaccuracies in the Financial Statements**

#### **1.1 Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2022 reflects proceeds from loan principal repayments of Kshs.30,192,795 which is not supported. In addition, Note 3 to the financial statements on cash and cash equivalents reflects an increase of Kshs.32,663,849 on the loan repayment account resulting to unreconciled variance of Kshs.2,471,054.

#### **1.2 Statement of Changes in Equity**

The statement of changes in net assets reflects a prior year adjustment of Kshs.5,794,716 that was not supported. The prior year adjustment together with the deficit for the year of Kshs.2,110,493 had the net effect of increasing the accumulated surplus from Kshs.11,024,528 opening balance to Kshs.14,708,751 as at 30 June, 2022.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

### **2.0 Long Overdue Loans**

The statement of financial position and as disclosed in Note 4 to the financial statements reflects a balance of Kshs.29,718,079 in respect to receivables from exchange transactions as at 30 June, 2022. However, review of loan payment schedules provided for audit revealed long overdue balances totalling Kshs.6,731,521 owed by three officers, one was deceased and the other two (2) had left the service and it was not clear how the outstanding amount was to be recovered. This is contrary to Section 17 of the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017 which provides that the Board may call in a loan and in default sell the charged property by public auction or private treaty where the borrower is in breach of the terms under the loan agreement or the covenant contained in the charge of the mortgage instrument. It remained unclear why Management had not invoked this regulation to recover the loans.

In the circumstances, the recoverability of the loans totalling Kshs.6,731,521 by the Fund could not be confirmed. In addition, the Fund was in breach of the law.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Lack of Approved Budget**

Management did not provide the approved budget for the County Assembly Car Loan and Mortgage Fund for audit verification contrary to Section 129(3) of the Public Finance Management Act, 2012 which states that each county assembly clerk shall prepare and submit to the county assembly the budget estimates for the County and a copy shall be submitted to the County Executive Committee Member for Finance. Subsection (4) of the Act states that the County Executive Committee Member for Finance shall prepare and present his or her comments on the budget estimates presented by the County Assembly Clerk. Consequently, there was limitation on assessment of operational efficiency on the Car Loan and Mortgage Fund main parameters such as expected interest income, projected recoveries from loan repayments and expenditure.

#### **2. Use of Manual Records**

The statement of financial position and as disclosed in Note 4 to the financial statements reflects a balance of Kshs.29,718,079 in respect to receivables from exchange transactions. As reported in the previous years, Management still maintains manual accounts for each member using Microsoft excel worksheets instead of a loan management software. The use of the manual system requires manual calculation of interest and loan balances by the human resource officers and constant monthly and/or annual updates of the data which could be prone to human error and manipulation. This is contrary to Section 4(d) of the Public Finance Management (County Governments) Regulations, 2015 which requires the entity to set out a standardized financial management system for use in County Government which is capable of producing accurate and reliable accounts free from errors and fraud and which will be useful in management decisions and statutory reporting.

In the circumstances, the individual members' accounts may easily be manipulated and the accuracy of the balances could not be confirmed.

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **Irregular Procurement of Professional Services**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects use of goods and services expenditure amount of Kshs.3,627,898 which includes Kshs.2,299,248 on professional services costs, out of which Kshs.1,799,000 was paid to a legal firm for legal services. However, direct procurement was used to identify the legal firm contrary to Section 103(2)(a) of Public Procurement and Asset Disposal Act, 2015 which provides that a procuring entity may use direct procurement if a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Carry Out Internal Audit**

During the year under review, no internal audit work was carried out for the Tharaka Nithi County Assembly Car Loan and Mortgage Fund, contrary to Section 155 (1) (a) of Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of financial and non-financial performance management systems and implementation of the internal controls were not assessed as required to assist in timely detection and prevention of errors, omissions and non-compliances.

## **2. Lack of Mortgage Protection and Fire Policy**

The Management of the Fund did not obtain mortgage protection and fire policies from insurance firms approved by the Board contrary to Section 16(1) of the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017 which provides that a borrower shall take out and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board, the cost of which shall be paid out of the Fund and debited in the borrower's account.

In the circumstances, the Fund risks losing funds in respect of loan defaulters or lack of fire protection policy.

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

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

Management is responsible for the preparation and fair presentation of the 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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


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

ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

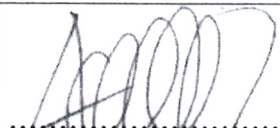
**Nairobi**

**19 April, 2023**

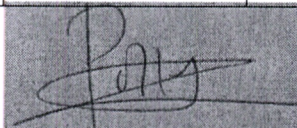
**Tharaka Nithi County Assembly Carloan & Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**12. Statement of Financial Performance for the Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Transfers From the County Government			
<b>Revenue From Exchange Transactions</b>			
Interest Income	1	1,517,405.00	2,628,578.00
<b>Total Revenue</b>		<b>1,517,405.00</b>	<b>2,628,578.00</b>
<b>Expenses</b>			
Use of goods and services	2	3,627,898.00	2,940,752.00
<b>Total Expenses</b>		<b>3,627,898.00</b>	<b>2,940,752.00</b>
<b>Other Gains/Losses</b>			
<b>Surplus/(Deficit) For The Period</b>		<b>(2,110,493.00)</b>	<b>(312,174.00)</b>



.....  
**Name: Amos Kiangwe Sikweya**  
**Administrator of the Fund**



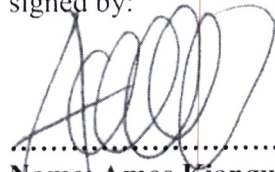
.....  
**Name: Polly Kagendo Mbae**  
**Fund Accountant**  
**ICPAK Member Number: 18586**

**Tharaka Nithi County Assembly Carloan & Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

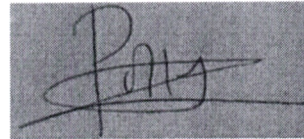
**13. Statement of Financial Position as At 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	42,058,084.00	13,975,782.00
Current Portion of Long- Term Receivables From Exchange Transactions	4	2,151,976.00	
Receivables from Non-exchange transactions	4		34,403,980.00
<b>Non-Current Assets</b>			
Long Term Receivables from Exchange Transactions	4	27,473,151.00	63,619,226.00
<b>Total Assets</b>		<b>71,683,211.00</b>	<b>111,998,988.00</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Non-Current Liabilities</b>			
Car grant/Non Performing Loans	5		44,000,000.00
<b>Total Liabilities</b>			<b>44,000,000.00</b>
<b>Net Assets</b>			<b>67,998,988.00</b>
Revolving Fund	5	56,974,460.00	56,974,460.00
Reserves			
Accumulated Surplus		14,708,751.00	11,024,528.00
<b>Total Net Assets and Liabilities</b>		<b>71,683,211.00</b>	<b>67,998,988.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29<sup>th</sup> July, 2022 and signed by:



.....  
**Name: Amos Kiangwe Sikweya**  
**Administrator of the Fund**



.....  
**Name: Kagendo Polly Mbae**  
**Fund Accountant**  
**ICPAK Member Number:18586**

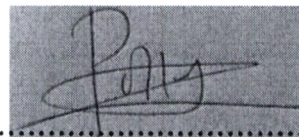
**Tharaka Nithi County Assembly Carloan & Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	100,974,460.00	-	17,131,418.00	118,105,878.00
Surplus/(Deficit) For the Period	-	-	(312,174)	(312,174)
Transfer-grants	(44,000,000.00)		(5,794,716)	(49,794,716)
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	<b>56,974,460.00</b>		<b>11,024,528.00</b>	<b>67,998,988.00</b>
<b>Balance As At 1 July 2021</b>	<b>56,974,460.00</b>	-	<b>11,024,528.00</b>	<b>67,998,988.00</b>
Surplus/(Deficit) For the Period	-	-	(2,110,493.00)	(2,110,493.00)
Prior year adjustment	-	-	5,794,716.00	5,794,716.00
<b>Balance As At 30 June 2022</b>	<b>56,974,460.00</b>	-	<b>14,708,751.00</b>	<b>71,683,211.00</b>



.....  
**Name: Amos Kiangwe Sikweya**  
**Administrator of the Fund**



.....  
**Name: Polly Kagendo Mbae**  
**Fund Accountant**  
**ICPAK Member Number:18586**

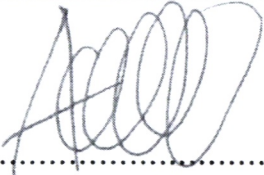
*Tharaka Nithi County Assembly Carloan&Mortgage Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement Of Cash Flows For The Year Ended 30 June 2022**

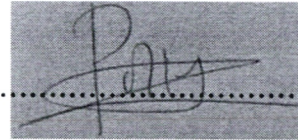
	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	1,517,405.00	2,628,578.00
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>1,517,405.00</b>	<b>2,628,578.00</b>
<b>Payments</b>			
Fund administration expenses	2	1,324,000.00	2,931,362.00
General expenses	2	2,299,248.00	9,390.00
Finance cost	2	4,650.00	-
<b>Total Payments</b>		<b>3,627,898.00</b>	<b>2,940,752.00</b>
<b>Net cash flows from operating activities</b>		<b>(2,110,493.00)</b>	<b>(312,174.00)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		30,192,795.00	34,403,980.00
Loan disbursements paid out		-	(11,124,350.00)
Car loan grant		-	(44,000,000.00)
<b>Net cash flows used in investing activities</b>		<b>30,192,795.00</b>	<b>(20,720,370.00)</b>
<b>Cash flows from financing activities</b>			
		-	-
<b>Net cash flows used in financing activities</b>		<b>28,082,302.00</b>	<b>(21,032,544.00)</b>
<b>Net increase/(decrease) in cash &amp; cash</b>			

*Tharaka Nithi County Assembly Carloan&Mortgage Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Equivalents</b>			
Cash and cash equivalents at 1 July 2021	3	13,975,782.00	35,008,326.00
<b>Cash and cash equivalents at 30 June 2022</b>	3	<b>42,058,084.00</b>	<b>13,975,782.00</b>



.....  
Name: Amos Kiangwe Sikweya  
Administrator of the Fund



.....  
Name: Polly Kagendo Mbae  
Fund Accountant  
ICPAK Member Number:18586

*Tharaka Nithi County Assembly Carloan&Mortgage Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**16. Statement of Comparison of Budget and Actual Amounts for the Period**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Interest Income	1,598,102.00	-	1,598,102.00	1,517,405.00	(80,697.00)	95%
Other Income		-	-	-	-	-
<b>Total Income</b>	<b>1,598,102.00</b>	<b>-</b>	<b>1,598,102.00</b>	<b>1,517,405.00</b>	<b>(80,697.00)</b>	<b>95%</b>
<b>Expenses</b>						
Fund Administration Expenses	1,324,000.00	-	1,324,000.00	1,324,000.00	-	
General Expenses	199,248.00	-	199,248.00	2,299,248.00	(2,100,000.00)	105%
Finance Cost	4,650.00	-	4,650.00	4,650.00	-	
<b>Total Expenditure</b>	<b>1,527,898.00</b>	<b>-</b>	<b>1,527,898.00</b>	<b>3,627,898.00</b>	<b>(2,100,000.00)</b>	
<b>Surplus For The Period</b>	<b>70,204.00</b>		<b>70,204.00</b>	<b>(2,110,493.00)</b>	<b>(2,180,697.00)</b>	

## 17. Notes to the Financial Statements

### 1. General Information

Tharaka Nithi County Assembly Car loans & Mortgage Fund entity is established by and derives its authority and accountability from Public Finance Management. Section 116 of the Public Finance Management Act, 2012. The entity is wholly owned by the Tharaka Nithi County Government and is domiciled in Kenya. The entity's principal activity is to disburse loans to the members of the Tharaka Nithi County Assembly to facilitate them acquire residential property (Mortgage Loan) and motor vehicles (Car Loan).

### 2. 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.

### 3. Adoption of new and revised standards

#### (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

#### (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</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>

**Tharaka Nithi County Assembly Carloan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<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>This Standard is relevant to fund account.</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</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>This standard is not relevant to fund account.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</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</li> </ul>

**Tharaka Nithi County Assembly Carloan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b><i>This standard is relevant to Fund account.</i></b></p>
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023</p> <p>This Standard is not relevant to the fund account.</p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Standard is not relevant to the fund because we don't deal with lease.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

**Tharaka Nithi County Assembly Carloan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>This Standard is relevant to the fund account because we hold assets as security for loans given out.</i></p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**1. Significant Accounting Policies**

**a) 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.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 12<sup>th</sup> October 2021. 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 recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

***Summary Of Significant Accounting Policies (Continued)***

**c) 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.

**d) 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.

**a) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Tharaka Nithi County Assembly Carloan&Mortgage Fund***  
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***Summary Of Significant Accounting Policies (Continued)***

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

***Summary Of Significant Accounting Policies (Continued)***

**b) Inventories**

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

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

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

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

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

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

**c) 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 Tharaka Nithi County Assembly 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.

***Tharaka Nithi County Assembly Carloan&Mortgage Fund***  
***Annual Report and Financial Statements for the year ended June 30, 2022***

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***Summary Of Significant Accounting Policies (Continued)***

***Contingent assets***

The Tharaka Nithi County Assembly 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.

**d) 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.*

**e) Changes in accounting policies and estimates**

The Tharaka Nithi County Assembly recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**f) Employee benefits – Retirement benefit plans**

The Tharaka Nithi County Assembly provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**g) 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.

**Summary Of Significant Accounting Policies (Continued)**

**h) 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.

**i) Related parties**

The Tharaka Nithi County Assembly 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, Secretariats the Fund Managers and Fund Accountant.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The Tharaka Nithi County Assembly Fund is a County Public Fund established by PFM Act Section 116 under the Department of Finance and Economic Planning. Its ultimate parent is the County Government of Tharaka Nithi.

**n) Currency**

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

**Summary Of Significant Accounting Policies (Continued)**

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

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

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

**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

**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 xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

*(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

**Tharaka Nithi County Assembly Carloan & Mortgage Fund**  
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**1. Interest income**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest Income From Mortgage Loans	1,410,393.00	2,302,781.00
Interest Income From Car Loans	107,012.00	325,797.00
<b>Total Interest Income</b>	<b>1,517,405.00</b>	<b>2,628,578.00</b>

*The interest income received for the Mortgage Loans issued totals to Kshs 1,410,393.00 and for the car loans amounted to Kshs 107,012.00 is the real interest received in the bank for the current year.*

**2. Use of Goods and Services**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Loan Processing Costs	-	-
Professional Services Costs	2,299,248.00	-
Administration Fees	-	700,000.00
Committee Allowances	1,324,000.00	2,231,362.00
Bank Charges	4,650.00	9,390.00
Insurance Costs	-	-
<b>Total</b>	<b>3,627,898.00</b>	<b>2,940,752.00</b>

**Tharaka Nithi County Assembly Carloan&Mortgage Fund**  
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**Notes to the Financial Statements Continued**

**3. Cash and cash equivalents**

Description	2021-2022	2020-2021
	Kshs	Kshs
Fund Account	1,846,553.00	6,428,100.00
Repayment Account	40,211,531.00	7,547,682.00
<b>Total Cash And Cash Equivalents</b>	<b>42,058,084.00</b>	<b>13,975,782.00</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
<b>a) Current Account</b>			
Kenya Commercial Bank	1155825268	1,846,553.00	6,428,100.00
Kenya Commercial Bank	1157609368	40,211,531.00	7,547,682.00
<b>Sub- Total</b>		<b>42,058,084.00</b>	<b>13,975,782.00</b>
<b>b) Others(Specify)</b>		-	-
Cash In Transit		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>42,058,084.00</b>	<b>13,975,782.00</b>

**4. Receivables from exchange transactions (earned but not yet received)**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	80,697.00	-
Current Loan Repayments Due	2,071,279.00	34,403,980.00
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	<b>2,151,976.00</b>	<b>34,403,980.00</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	27,473,151.00	63,619,226.00
<b>Total Non- Current Receivables</b>	<b>27,473,151.00</b>	<b>63,619,226.00</b>
<b>Total Receivables From Exchange Transactions</b>	<b>29,625,127.00</b>	<b>98,023,206.00</b>

**Additional disclosure on interest receivable**

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Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Interest Receivable</b>		
Accrued interest receivable from of long-term loans of previous years	299,718.00	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods	6,718,521.00	-
Current portion of long-term loans issued in the current year	-	-

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Notes to the Financial Statements (Continued)

5. Revolving fund

Description	2021-2022	2020-2021
	Kshs	Kshs
Bal b/f	56,974,460.00	100,974,460.00
Car grant	-	-44,000,000.00
<b>Total</b>	<b>56,974,460.00</b>	<b>56,974,460.00</b>

**Tharaka Nithi County Assembly Car Loan & Mortgage Fund  
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**Other Disclosures**

**6. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key management remuneration**

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
<b>Total</b>	-	-

**Other Disclosures Continued**

**7. 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.

**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.

**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 on-going 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

***Tharaka Nithi County Assembly Car Loan & Mortgage Fund***  
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return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**i. Foreign currency risk**

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

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

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

**d) Capital risk management**

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

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	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	56,974,460.00	56,974,460.00
Accumulated surplus	14,708,751.00	16,819,244
<b>Total funds</b>	<b>71,683,211.00</b>	<b>73,793,704</b>
Less: cash and bank balances	(42,058,084.00)	(13,975,782)
<b>Gearing</b>	<b>%</b>	<b>%</b>

**Tharaka Nithi County Assembly Car Loan & Mortgage Fund  
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**8. Progress on Follow up of Prior Year Auditor's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		We have not received auditors General Reports for 2020/2021 therefore issues to be resolved have not been summarized in the table.		

