

PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA



OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

PAPERS LAID	
DATE	25/10/2022
TABLED BY	Sen. Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Ms. M. Adjibedou

OF

THE AUDITOR-GENERAL

ON

**EMBU COUNTY EXECUTIVE CAR LOAN AND
MORTGAGE (COMMITTEE MEMBERS)
SCHEME FUND**

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



**EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE
(COMMITTEE MEMBERS) SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

TABLE OF CONTENTS

1.	KEY ENTITY INFORMATION AND MANAGEMENT	1
2.	BOARD OF TRUSTEES	4
3.	<u>STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES.....</u>	6
4.	MANAGEMENT TEAM.....	7
5.	BOARD CHAIRPERSON'S REPORT	8
6.	REPORT OF THE FUND ADMINISTRATOR	10
7.	CORPORATE GOVERNANCE STATEMENT	12
8.	MANAGEMENT DISCUSSION AND ANALYSIS	15
9.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	16
10.	REPORT OF THE FUND ADMIN. COMMITTEE/ MANAGEMENT TEAM	17
11.	STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	18
12.	REPORT OF THE INDEPENDENT AUDITOR	19
13.	FINANCIAL STATEMENTS	20
13.1.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021	21
13.2.	STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2021	22
13.3.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021	23
13.4.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2021	24
13.5.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	25
13.6.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	26
14.	NOTES TO THE FINANCIAL STATEMENTS	36
15.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	43
16.	APPENDIX I: INTER-ENTITY TRANSFERS.....	45

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Embu County Executive Car loan and Mortgage (Committee Members) Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, Embu County Executive adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

As at 30th June 2021, the fund was under the management of financial institution, Development Bank of Kenya Ltd. The role of the bank is to provide administration services for the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, in exercise of the powers conferred by section 116 of the PFM Act, 2012, the County Executive Member for Finance made the following regulations:- PUBLIC FINANCE MANAGEMENT (EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (COMMITTEE MEMBERS) SCHEME FUND REGULATIONS, 2018 to guide the formation and operationalization of the fund.

The fund is wholly owned by the county government of Embu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car loan and mortgage to execute members.

Vision

“The fund of choice for County Executive.”

Mission

“To provide affordable, accessible and sustainable car loans to County Executive.”

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

c) Fund Administration Committee

Ref	Name	Position
1	Johnson N. Nyaga	County Secretary – Chairman
2	Damiano Muthee Njagi	Vice-Chairman
3	John Mukundi	Fund Administrator
4	Jamleck Muturi	Member
5	Suleiman N. Kariuki	Member
6	John N. Njagi	Member
7	Ann Martha Nyaga	Member
8	David G. Kariuki	Member

d) Key Management

Ref	Name	Position
1	Johnson N. Nyaga	Chairman
2	Damiano Muthee Njagi	Vice-Chairman
3	John Mukundi	Fund Administrator

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Ref	Position	Name
1	Directorate Internal Audit	David Kithaka
2		
3		

f) Registered Offices

P.O. Box 36 - 060100
Town Hall
Along Embu-Meru Road
Embu, KENYA

g) Fund Contacts

- h) Telephone: (254) 728123456
- i) E-mail: info@embucounty.go.ke
- j) Website: www.embucounty.go.ke

k) Fund Bankers

Development Bank
P.O. Box 19828 - 00100
Nairobi, Kenya

l) Independent Auditors

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





m) Principal Legal Adviser

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

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

2. THE BOARD OF TRUSTEES





The board of trustees during the financial year consisted of:

	<p><u>Johnson N. Nyaga – County Secretary</u></p> <p>Johnson Nyaga was appointed the County Secretary of Embu County on 10th March 2018. He was born on 5th December 1976. He holds a Bachelor of Arts Degree (Economics) from the University of Nairobi. He also has an MBA from the University of Nairobi. Before his appointment as the CS, he served in various capacities at KRA.</p>
	<p>Mr. Damiano Muthee Njagi – Vice-Chair – Board of Trustees</p> <p>Damiano Muthee Njagi was appointed as the first vice-chair of the board of trustees. He was born on 1st January 1974. Mr. Damiano serves as the Embu County Chief Officer Finance and Economic Planning. He is a member of ICPAK.</p>
	<p>Mr. John Mukundi – Fund Administrator</p> <p>Mr. Mukundi was appointed as the Fund Administrator on 14th February 2018.</p> <p>He was born on 14th September 1975. Mr Mukundi is the Chief Officer Administration, Embu County Executive. He has previously served as the Proprietor of Achievers College. Mr Mukundi holds a Bachelor Commerce (Accounting) from Nairobi University. He is also a member of ICPAK.</p>
	<p>Mr. John Njeru Njagi, Phd– Member – Board of Trustees.</p> <p>He was born on 13th August 1969. Mr. Njagi is the CECM Finance, Planning and Economic Affairs in Embu County. He holds a doctorate in Finance and is a member of ICPAK and ICS. He was the pioneer commercial director at EWASCO and deputy treasurer at Nairobi City Council.</p>

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

BOARD OF TRUSTEES (CONTINUED)

The management during the financial year consisted of:

	<p>Ms. Ann Martha Nyaga – Member – Board of Trustees</p> <p>Ann Martha Nyaga serves as the Embu County CECM Agriculture and Livestock Development. She was born on 1st January 1985. She holds Bsc. Biomedical Science and Technology.</p>
	<p>Mr. Suleiman N. Kariuki – Member – Board of Trustees</p> <p>Suleiman serves as the Embu County CECM for Infrastructure and Public Works. He holds a Bsc. in Economics. He was born on 1st January 1974.</p>
	<p>Mr. David G. Kariuki – Member – Board of Trustees</p> <p>David serves as the Embu County CECM for Public Service and Administration. He holds Msc of Education. He was born on 1st January 1963.</p>
	<p>Dr. Jamleck Muturi – Member – Board of Trustees</p> <p>Mr. Muturi was appointed as a member of the board of trustees. Mr. Muturi serves as the Embu County CECM for Agriculture. He holds master of science and a PhD in Philosophy. He was born in 1967.</p>

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
 Reports and Financial Statements
 For the year ended June 30, 2021**

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

Introduction

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

The key development objectives of the Embu County Government Entity's 2018-2022 plan are to:




- a) Provide mortgage and car loans to the Embu County Executive

Progress on attainment of Strategic development objectives for Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Mortgage and Car Loan	To offer affordable mortgage and car loans to the executive committee	Increased efficient transportation of people, goods and services Affordable housing	% of issued loan amounts.	In FY 2020/21 we did not issue additional loans

4. MANAGEMENT TEAM

	<p><u>Johnson N. Nyaga – County Secretary</u></p> <p>Johnson Nyaga was appointed the County Secretary of Embu County on 10th March 2018. He was born on 5th December 1976. He holds a Bachelor of Arts Degree (Economics) from the University of Nairobi. He also has an MBA from the University of Nairobi. Before his appointment as the CS, he served in various capacities at KRA.</p>
	<p>Mr. Damiano Muthee Njagi – Vice-Chair – Board of Trustees</p> <p>Damiano Muthee Njagi was appointed as the first vice-chair of the board of trustees. He was born on 1st January 1974. Mr. Damiano serves as the Embu County Chief Officer Finance and Economic Planning. He is a member of ICPAK.</p>
	<p>Mr. John Mukundi – Fund Administrator</p> <p>Mr. Mukundi was appointed as the Fund Administrator on 14th February 2018.</p> <p>He was born on 14th September 1975. Mr Mukundi is the Chief Officer Administration, Embu County Executive. He has previously served as the Proprietor of Achievers College. Mr Mukundi holds a Bachelor Commerce (Accounting) from Nairobi University. He is also a member of ICPAK.</p>

***Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021***

5. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the board of trustees, the Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund is secured as a going concern.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Changes in the Fund during the year

During the year under review, there was personnel changes in the office of the chief office finance and planning where Ms. Ruth Wambui Ndirangu was replaced by Mr. Damiano Muthee. There was no other changes in key management team or board of trustees.

Review of performance

Income

The fund was established with a revolving fund amounting to Kshs. 110,000,000 from the county government of Embu.

Mortgage loans as at 30th June 2021 generated interest income of Kshs 2,077,318 while Car Loans as at 30th June 2021 generated interest income amounting to Kshs 125,545.

Expenditures

The total administrative expenditures during the period amounted to KShs. 2,202,863.

Future outlook

The outlook of the Fund for 2021/2022 looks brighter. The fund focus is looking to build a robust and sustainable fund structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and other stakeholders to the realization of its mandate.

BOARD/FUND CHAIRPERSON'S REPORT (Continued)

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management staff and fellow trustees for their continued support which made us achieve these results.

I look forward to your continued support in the year 2021/2022.

Signed: _____

Johnson Nyaga
Board Chairman

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

6. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

The fund was established on 14th February 2018 and started with an initial amount of KShs 110M. Since then, a total of 9 loan beneficiaries have made borrowings amounting to KShs 94,850,000. Out of the total loan disbursements of Kshs 94,850,000, Kshs 87,850,000 was for mortgage loans and Kshs 7,000,000 was car loans respectively. Of this, KShs. 19,948,303 had been repaid and KShs. 74,901,697 was outstanding as at the reporting date of 30th June 2021.

Financial Performance

a) Revenue

In the year ended 30th June 2021, the fund had projected revenue growth of KShs 2,202,863 comprising of interest income on outstanding loans. The fund was able to realise KShs 2,202,863 in actual interest income, representing 100% performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realization (%)
Revenue	KShs	KShs	
Transfers from County Govt.	0	0	00%
Interest income	2,202,863	2,202,863	100%
Fines, penalties and other levies	0	0	0
Other income	0	0	0
Total income	2,202,863	2,202,863	100%

REPORT OF THE FUND ADMINISTRATOR (Continued)

Loans

During the financial year 2020/2021, there were no loan disbursements. Funds remain available for the remaining members of the Executive who would be willing to apply for the loans.

Cash flows

In the FY 2020/2021, we have not had many liquidity disruptions. This was as a result of proper planning and funds availability. The cash and cash equivalents stood at Kshs 35,098,303 as at 30th June 2021.

b) Conclusion

FY 2020/2021 was a good year in general. Good progress was made and the momentum has been created to enable Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund achieves its mission.

Signed: _____



**John Mukundi
Fund Administrator**

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

7. CORPORATE GOVERNANCE STATEMENT

THE FUND

The Embu County Executive car and mortgage loan (management committee) scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by a PFM (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund, Regulations 2018. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

THE MANAGEMENT OF THE FUND

The Regulations of 2018 provides the establishment of a committee to be known as the Members Car Loan and Mortgage Scheme Management Committee which shall consist of the Chairman and seven other members as outlined in the regulations. The Management Committee is responsible for the long-term strategic direction of the fund.

The Fund Administrator shall be the county Principal Finance Officer who shall be the ex-official member and secretary to the committee. The management committee shall exercise leadership, enterprise, integrity and judgment in directing the Fund.

The trustees are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the Loans Management committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial services.

All members of the management committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as committee members. The committee members are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the committee and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

COMMITTEE MEETINGS

The management committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county executive. The committee also plays an oversight role over all other financial and operational issues. The committee held two full board meetings during the FY 2020/2021.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

STATEMENT OF COMPLIANCE

The management committee confirms that the fund has throughout the FY. 2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The management committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Leadership Structure

A clear leadership structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of the management committee is maintained both through the selection process and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that the committee develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The committee on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the loans committee. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2020/2021.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The risk management framework is regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the County head of internal audit, who reviews all the risks in the fund and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit committee to assist the management committee in the management of risks. In the FY 2020/2021, no major risk was reported which affected the administration of the fund.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The fund has continued to grow and the management has put measures in place to safeguard against risks.

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 Executive Committee Members and with established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs. 2,202,863 from loan interests in the year 2020/2021.

The fund remained liquid throughout the year. The fund is projecting continued support from the county government.

Cash flow

The cash and cash equivalents stood at KShs 35,098,303 as at 30 June 2021. There was significant cash inflow from collections from Executive members.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car and mortgage loans to members of the Executive. The county government has supported the fund and increased collections from members of the Executive has also added to the fund's better performance.

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2021/2022.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the coming financial year 2021/22, the fund plans to carry out its corporate social responsibility activities through collaboration with the county government in tree planting exercises in primary schools, along our streets, roads and river banks in Embu County.

We are looking forward to getting involved more in these and other areas, and the management team has been tasked with coming up with more CSR ideas.

10. REPORT OF THE MANAGEMENT TEAM

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

Principal activities

The principal activity of the Fund is to provide financing to the executive committee members for the purchase of vehicles and/or construction of, or purchase of houses by members of the scheme.

Results

The results of the Fund for the year ended June 30, 2021 are set out on pages 19 to 41.

Trustees

The members of the Management committee who served during the year are shown on page 4. There was only one change in the Management committee during the FY 2020/21.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Damiano Muthee Njagi

Member of the Board

Date: _____

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

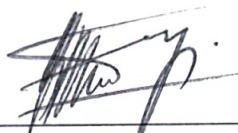
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Management Committee on _____ 2021 and signed on its behalf by:



John Mukundi

Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund
Fund Administrator

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	0	0
Fines, penalties and other levies	3	0	0
		0	0
Revenue from exchange transactions			
Interest income	4	2,202,863	2,471,007
Other income	5	0	0
		2,202,863	2,471,007
Total revenue		2,202,863	2,471,007
Expenses			
Fund administration expenses	6	2,202,863	2,471,007
General Expenses	8	0	0
Finance costs	9	0	0
Total expenses		2,202,863	2,471,007
Other gains/(losses)			
Gain/(loss) on disposal of assets		0	0
Surplus/(deficit) for the period		0	0

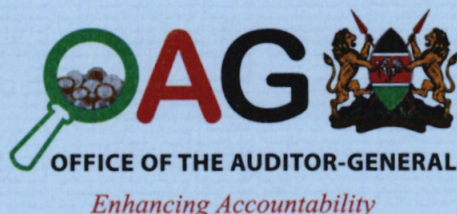
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:

Fund Administrator
Name: John Mukundi

Fund Accountant
Name: Edwin Rugendo
ICPAK Member Number:

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EMBU COUNTY EXECUTIVE CAR LOAN AND MORTGAGE (COMMITTEE MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund set out on pages 22 to 46,

Report of the Auditor-General on Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund for the year ended 30 June, 2021

which comprise the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund) Regulations, 2018.

Basis for Qualified Opinion

1. Unsupported Loan Repayments

The statement of cash flows for the year ended 30 June, 2021 reflects Kshs.7,493,737 in respect to proceeds from loan principal repayments. However, supporting documents including schedules and bank statements were not provided for audit.

In the circumstances, the accuracy of the proceeds from principal loan repayments of Kshs.7,493,737 could not be confirmed.

2. Receivables from Exchange Transactions

As previously reported, the security for the loans including log-books and title deeds were not provided for audit. It could therefore not be confirmed that the log books and the title deeds had a charge registered in the name of the County Government of Embu and kept in the custody of the Fund Administrator as required under Regulation 13(2) of the Public Finance Management (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund) Regulations, 2018.

In addition, review of records revealed that as at 30 June, 2021 a total of eight (8) members had outstanding loan balances totaling to Kshs.110,850,000. However, in view of the remaining term of the Members, it could not be confirmed that the loans would be repaid before the last three (3) months of the end of their term as required under Regulation 16 of the Public Finance Management (Embu County Executive Car and Mortgage Loan (Committee Members) Scheme Fund) Regulations, 2018.

In the circumstances, the validity and recoverability of the Kshs.74,901,697 in respect to current portion and long-term receivables from exchange transactions as at 30 June, 2021 could not be confirmed.

3. Progress on Follow-Up of Prior Year Auditor's Recommendations

The progress on follow-up of prior year auditor's recommendations was not provided in the financial statements as required by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the Fund's financial statements do not comply with the financial reporting guidelines provided by PSASB pursuant to Section 194 of the Public Finance Management Act, 2012.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Embu County Executive Car Loan and Mortgage (Committee Members) 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 effective 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 Fund's ability to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 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 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 controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

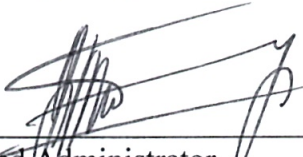
27 July, 2022

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

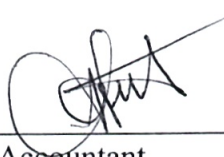
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY2020/2021	F.2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	35,098,303	27,604,566
Current portion of long term receivables from exchange transactions	11	16,764,601	14,910,356
		51,862,904	42,514,922
Non-current assets			
Long term receivables from exchange transactions	11	58,137,096	67,485,078
Total assets		110,000,000	110,000,000
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Total liabilities		-	-
Net assets		110,000,000	110,000,000
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		110,000,000	110,000,000
Total equity		110,000,000	110,000,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:



Fund Administrator
Name: John Mukundi



Fund Accountant
Name: Edwin Rugendo
ICPAK Member Number 11794

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

**13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
 30 JUNE 2021**

	Revolving Fund	Revaluation Reserve	Accumulated Surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	110,000,000	110,000,000
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	110,000,000	110,000,000
Balance as at 1 July 2020	-	-	110,000,000	110,000,000
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	110,000,000	110,000,000

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

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

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		0	0
Interest received	4	2,202,863	2,471,007
Receipts from other operating activities		0	0
Total Receipts		2,202,863	2,471,007
Payments			
Fund administration expenses	6	(2,202,863)	2,471,007
General expenses		0	0
Finance cost		0	0
Total Payments		(2,202,863)	(2,471,007)
Net cash flows from operating activities		0	0
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(0)	(0)
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments	14	7,493,737	7,115,446
Loan disbursements paid out		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		7,493,737	7,115,446
Cash and cash equivalents at 1 JULY 2020		27,604,566	110,000,000
Prior year adjustments	13 C	(0)	(89,510,880)
Adjusted cash and cash equivalents as at 1 st July 2021		0	20,489,120
Cash and cash equivalents at 30 JUNE 2021	10	35,098,303	27,604,566

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	0	0	0	-	-
Transfers from County Govt.	0	0	0	0	-	100%
Interest income	2,202,863	-	2,202,863	2,202,863	0	100%
Other income	-	-	-	-	-	-
Total income	2,202,863	-	2,202,863	2,202,863	0	100%
Expenses						
Loan Disbursements	0		0	0	0	0
Fund administration expenses	2,202,863	-	2,202,863	2,202,863	0	100%
General expenses	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Total expenditure	2,202,863	-	2,202,863	2,202,863	0	100%
Surplus for the period	-	-	-	0	-	-

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

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

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

b) New and amended standards and interpretations in issue effective in the year ended 30 June 2021

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

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020-2021.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly in June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriation in the financial year 2020-2021.

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 12.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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)

8. Inventories

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

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

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

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

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

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

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

15. Related parties

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

16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Development 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the Embu County Executive.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the committee. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	74,901,697	74,901,697	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	35,098,303	35,098,303	-	-
Total	110,000,000	110,000,000	-	-
At 30 June 2020				
Receivables from exchange transactions	82,395,434	82,395,434	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	27,604,566	27,604,566	-	-
Total	110,000,000	110,000,000	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has significant concentration of credit risk on amounts due from customers.

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

b) Liquidity risk management

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

c) Market risk

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

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

The Loans Management Committee is responsible for the development of detailed risk management policies 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 no 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.

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company'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. The fund's fixed deposits attract interest at a rate of 0% hence not affected by interest fluctuations.

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/ decrease by one percentage point.

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:

	2020-2021		2019-2020
	KShs		KShs
Revaluation reserve	-		-
Revolving fund	-		-
Accumulated surplus	110,000,000		110,000,000
Total funds	110,000,000		110,000,000
			-
Total borrowings	-		-
Less: cash and bank balances	-		-
Net debt/(excess cash and cash equivalents)	-		-
Gearing	-		-

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

13.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY. 2020/2021 KShs	FY. 2019/2020 KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

These refer to donations received from domestic and foreign donors. The funds include donations received directly by the County Government and those that are received by the National Government first and disbursed to the County.

2. Transfers from County Government

Description	FY. 2020/2021 KShs	FY. 2019/2020 KShs
Transfers from County Govt. – operations	0	110,000,000
Payments by County on behalf of the entity	-	-
Total	0	110,000,000

3. Fines, penalties and other levies

Description	FY2020/2021 KShs	FY2019/2020 KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2020/2021 KShs	FY2019/2020 KShs
Interest income from mortgage loans	2,077,318	2,304,594
Interest income from car loans	125,545	166,413
Total interest income	2,202,863	2,471,007

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021**

5. Other income

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6. Fund administration expenses

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	2,202,863	2,471,007
Total	2,202,863	2,471,007

7. Staff costs

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Salaries and wages	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

8. General Expenses

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Mortgage Loans	0	-
Car Loans	0	-
Total	00	-

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Cash and cash equivalents

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Fixed deposits account	35,098,303	27,604,566
Embu County mortgage loan account	-	-
Embu County Car Loan account	-	-
Others	-	-
Total cash and cash equivalents	35,098,303	27,604,566

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

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		FY. 2020/2021	FY. 2019/2020
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Development bank		35,098,303	27,604,566
Grand total		35,098,303	27,604,566

11. Receivables from exchange transactions

Description	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	1,500,315	1,001,358
Current loan repayments due	15,264,286	13,908,998
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	16,764,601	14,910,356
Non-Current receivables	-	-
Long term loan repayments due	58,137,096	67,485,078
Total Non-current receivables	58,137,096	67,485,078
Total receivables from exchange transactions	74,901,697	82,395,434

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. 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) Embu County Executive;
- b) Board of Trustees; and
- c) Key management personnel.

a) Related party transactions

	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

b) Key management remuneration

	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Management Committee	-	-
Key Management Compensation	-	-
Total	-	-

c) Due from related parties

	FY. 2020/2021	FY. 2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Due to related parties

	FY. 2020/2021	FY2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

12. Contingent assets and contingent liabilities

Contingent liabilities	FY. 2020/2021	FY2019/2020
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

13. Prior Year Adjustment

	FY. 2020/2021	FY.2019/2020
NOTE 13 A	KShs	KShs
As at 1 July 2018	-	-
Grant from County Government	-	110,000,000
Loans Issued in 2018-2019	-	(94,850,000)
Grant balance as at 30 June 2019 (a)	-	15,150,000
Cash book/ Bank Certificate balance as at 30 June 2019 (b)	-	20,489,120
Principal paid as at 30th June 2019 (b-a)	-	5,339,120
NOTE 13 B.		
Statement of Changes in Net Assets	KShs.	KShs.
(Adjustments of Opening balances, Revolving Fund and Cash and cash equivalents for period ended 30 June 2020)		
Cash and Cash Equivalents as at 30 June 2019	-	110,000,000
Adjustments of Loans Issued for year ended 30 June 2019	-	(94,850,000)
Principal paid for the year ended 30 June 2019 (b-a), above	-	5,339,120
Adjusted Cash and Cash equivalents as at 30 June 2019	-	20,489,120

Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2021

	FY. 2020/2021	FY.2019/2020
NOTE 13 C.	KShs.	KShs.
Loan Issued for the year ended 30 June 2019	(0)	(94,850,000)
Principal paid for the year ended 30 June 2019 Note 13A	0	5,339,120
Outstanding Loans as at 30 June 2019	(0)	(89,510,880)

14. Proceeds from loan principal repayments

Description	FY. 2020/2021	FY.2019/2020
	KShs.	KShs.
Principal Payable for year ended 30 June 2021 (Loan Schedule)- (a)		8,215,790
Grant balance, (110,000,000-94,850,000) (Loan Schedule)- (b)		15,150,000
Total cash expected at bank as at 30.06.2020 (c=a+b)		23,365,790
Less Principal Arrears for period ended 30.06.2020 (d)		2,876,670
Balance as per bank certificate as at 30.06.2020 (Attached) (e=c-d)	27,604,566	20,489,120
Total Principal Payable for period ended 30.06.2021 (f)	(68,248,859)	12,239,149
Actual Outstanding principal as at 30.06.2020 (Loan Schedule)- (g)	77,485,920	(5,123,703)
Add principal arrears for year 2019-2020 (h)	5,041,201	
Less Principal arrears for year 2020-2021 (i)	(6,784,525)	
Proceeds from loan principal repayments for year ended 30 June 2021 (j=g-f+h-i)	7,493,737	7,115,446
Balance as per bank certificate as at 30.06.2021 (Attached) (j=e+i)	35,098,303	27,604,566

**Embu County Executive Car Loan and Mortgage (Committee Members) Scheme Fund
 Reports and Financial Statements
 For the year ended June 30, 2021**

14. PROGRESS ON FOLLOW UP OF AUDITOR 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.