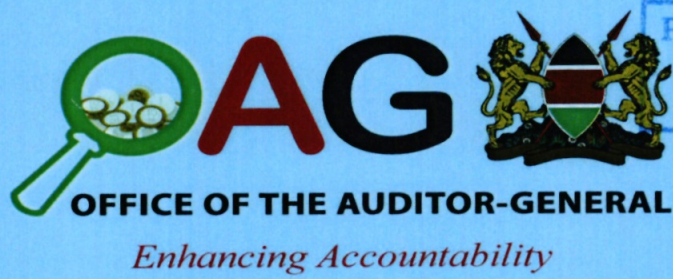
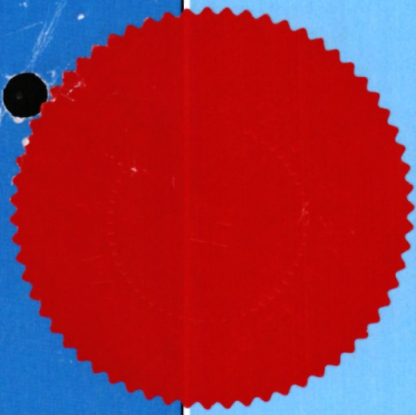


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REPORT

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DATE	15/11/2022
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COMMITTEE	
CLERK AT THE TABLE	I. Mbaya

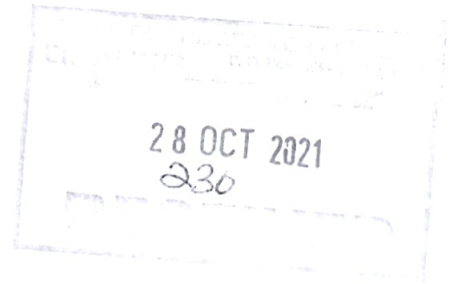
OF

THE AUDITOR-GENERAL

ON

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

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



THARAKA NITHI COUNTY ASSEMBLY CAR LOAN & MORTGAGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

(Tharaka-Nithi County Assembly Car loan & Mortgage Fund)
Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. FUND ADMINISTRATION COMMITTEE	5
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	7
4. MANAGEMENT TEAM	8
5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT	9
6. REPORT OF THE FUND ADMINISTRATOR	10
7. CORPORATE GOVERNANCE STATEMENT	11
8. MANAGEMENT DISCUSSION AND ANALYSIS	13
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	14
10. FUND ADMINISTRATION COMMITTEE	16
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	17
12. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THARAKA NITHI COUNTY ASSEMBLY CAR LOANS AND MORTGAGE FUND/SCHEME	19
13. FINANCIAL STATEMENTS	20
14. NOTES TO THE FINANCIAL STATEMENTS	45
15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	50
16. APPENDIX I: INTER-ENTITY TRANSFERS.....	51

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Tharaka Nithi County Assembly Car Loan and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management. Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee Member for finance to establish County Public Funds with the approval of the County Executive Committee and the County Assembly. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The Fund principal activity is to provide loans for the purchase, development, renovation or repair of residential houses to Members of the County Assembly and Members of 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 Values

- 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 car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.**

c) Fund Administration Committee

Ref	Position	Name
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
6	Catherine Njeri	Member
7	Polly Kagendo Mbae	Member
8	Murithi Kanampiu	Member

d) Key Management

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

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Head of Internal Audit	Davidson Kiriiri

f) Registered Offices

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

g) Fund Contacts

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

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

Website: www.xxx.go.ke

h) Fund Bankers

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

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue





P.O. Box 40112

City Square 00200





Nairobi, Kenya

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

2. FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
 1. Hon. David John Mbaya	<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. He was born 4th November 1966. He has over 15 years working experience.</p>
 2. Hon. Peterson Mwirigi	<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. He was born on 17th March 1981. He has over 15 years working experience.</p>
 3. Hon. Erastus Kinyua	<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. He was born on 1st January 1973. He has over 15 years working experience.</p>
 4. Hon. Wilson Nyaga	<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 & governance. He was born on 21st November 1974 He has over 15 years working experience.</p>

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

 <p>5. 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. Born on 9th December 1983.</p> <p>He has over 10 years working experience.</p>
 <p>6. Catherine Njeri Kathuni</p>	<p>She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Director Human Resource Officer. She represents the staff as the management staff member of the committee</p> <p>She is a member of CHRP and IHRM.</p> <p>She is holder of Master of Business Administration.</p> <p>She was born on 16 August 1973</p> <p>He has over 15 years working experience.</p>
 <p>7. Polly Kagendo Mbae</p>	<p>She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Ag:Director finance & Accounts.</p> <p>She is a holder of Master's degree in finance and CPK finalist.</p> <p>She was born on 23rd December, 1979.</p> <p>He has over 10 years working experience.</p>
 <p>8. Murithi Kanampiu</p>	<p>He is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Head of Legal department.</p> <p>He is an advocate of Higher Court and Holder of Bachelor's degree in Law and Four years working experience.</p> <p>He was born on May 13 1989.</p>

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



Introduction

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

The key strategic objectives of the Tharaka Nithi County Assembly Entity's 2020-2025 strategic plan, is to:

- a. To enhance the capacity of MCAs for effective representation.
- b. To advocate and petition on behalf of the citizens.
- c. To strengthen gathering analysis and enhance of information.
- d. To promote legislation through enacting laws that is progressive and relevant.
- e. To motivate the stake holders to own the legislative process.
- f. To ensure adherence to good governance practices.
- g. To monitor implementation of Assembly decision.
- h. To promote a practice of prudent stewardship.
- i. To attract, develop and retain competent human capital.
- j. To establish prudent management of finance and resources mobilization.
- k. To enhance physical infrastructure to provide a good and secure environment.
- l. To embrace information communication technology.
- m. To improve corporate image.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>1. 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. Born on 9th December 1983.</p> <p>He has over 10 years working experience</p>
 <p>2. Polly Kagendo Mbae</p>	<p>She is a member of staff, Tharaka Nithi County Assembly serving in the capacity of Ag:Director finance & Accounts.</p> <p>She is a holder of Master's degree in finance and CPK finalist.</p> <p>She was born on 23rd December, 1979.</p> <p>He has over 10 years working experience.</p>

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Car loan and Mortgage Scheme Fund was established pursuant to the Salaries and Remuneration Circular No. SRC/TS/WB/3/14 of 14th 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.

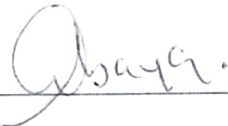
During the year, the key management team changed slightly as per the Tharaka Nithi County Assembly Mortgage and car loan Fund regulation 2017 where the former director of finance was allocated other duties in the assembly and another one took the as the new Ag-director of finance.

The Fund operates on revolving fund and repayments from members who have already benefited. We look forward to get more funds for the fund in order to be able to disburse funds to all the beneficiaries as provided by the Salaries and Remuneration Commission.

The Tharaka Nithi County Assembly Fund Account was funded by transfers of monthly repayments from members and staff of the County Assembly from the repayment account amounting to Kshs. 34,403,980 for the year ended 30th June 2021. The county assembly utilised the funds on car loan and mortgage to members and staff amounting to Ksh 11, 124,300 and Ksh 44,000,000 as Members of County Assembly Car Grant.

We thank all the stakeholders of the fund for the continued support and look forward to working with them diligently.

Signed: _____



Hon David John Mbaya

Speaker of the County Assembly

6. 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 the 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 5 and 6 respectively. During the year under audit the fund realised a deficit of Kshs 312,174 from its operations.

During the financial year under review, there was no Fund approved budget. The members of the County Assembly received funds from repayments since the fund operates on a revolving system basis. We did not receive any funds from the treasury during the year under review. All the twenty-one Members of County Assembly benefited from the fund. Some beneficiaries did not benefit fully from the fund.

The Tharaka Nithi County Assembly Staff have not benefited fully due to lack of adequate funds. We look forward to get grants and funds to be able to disburse funds to them.

This responsibility of the Fund Administrator 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 entity;
- 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 *County Assembly*;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

Signed: _____

Amos Kiangwe Sikweya

7. CORPORATE GOVERNANCE STATEMENT

Introduction

The Car loan and Mortgage Management fund Committee is committed 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) and in accordance to the Public Finance Management Act, 2012 and Salary and Remuneration Commission (SRC) regulations. We remain committed to the highest standards of corporate governance and good ethics. Good corporate governance practices are essential to the delivery of long term, short term and sustainable goals to the committee, its stakeholders and the county as a whole. We believe that good governance is critical, not only at the Assembly level but also at the County level.

Committee Size, composition, Appointment and Removal

The Car Loan and Mortgage Management Fund Committee comprises of the Honourable speaker who is the chairman, the clerk who is the fund administrator, the majority and minority leader, the majority and minority whip, the head of finance department, head of human resource department and the head of legal department. Accordance to Public Finance Management (Tharaka Nithi County Assembly Housing fund) regulation, 2017 each one of the members is appointed through acquisition of the listed position and removal of the trustees occurs if one ceases to hold his or her position. Currently we are working on modifying the regulations of the committee composition.

Roles and responsibilities of the Administration Committee Members

The Public Finance Management (Tharaka Nithi County Assembly Housing fund) regulation, 2017 states that, functions of the trustees members will be:

- (a) Process application for loans in accordance with the existing terms and conditions of borrowing.
- (b) Liaise with the housing company (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.

Remuneration of the board

In reference to the minutes of the committee meeting held on 24th July 2019, the rates for payments of committee sittings were defined as follows;

1. Chairperson- Ksh 10,000
2. Member- Ksh 8,000
3. Secretariat- Ksh 6,000

The rates have remained unchanged in this financial year.

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

Meetings held

In 2020/2021 Financial Year, the Car loan and Mortgage Management Committee held twenty-eight scheduled meetings; in addition, there were a number of unscheduled Board meetings held throughout the year, each of which was attended by all management team, in observation to the MOH COVID-19 pandemic guidelines. As at 30th June 2021 the composition of the said management committee remained unchanged.

Succession Plan and Service Charter

The Committee will give loans to the new members and staff using the current repayments from both members of County Assembly and the staff. We also hope to get more Funds from the County Treasury that will be used to increase the Fund budget for all the beneficiaries. All the loan and mortgage disbursed will closely monitor as per regulations.

Currently, in this financial year there is no existing service charter, but its formulation is currently underway and it is expected to be completed soon.

Conflict of interest

In the stated financial year, no conflict of interest was reported. We as committee ensure all our members and all the borrowing staff adhere to the outlined SRC guidelines and our existing terms and conditions for borrowing. Each staff possible loan or mortgage is weighed according to his or her job group as stated by SRC and close monitoring is done during and after disbursement of the loan.

8. MANAGEMENT DISCUSSION AND ANALYSIS

In the Financial year 2020/2021 operations, the amount disbursed to Members and staff of the Tharaka Nithi County Assembly is Kshs. 11,124,350

The Tharaka Nithi County Assembly Fund Account was funded by transfers of monthly repayments from members and staff of the County Assembly from the repayment account amounting to Kshs. 34,403,980 for the year ended 30th June 2021.

The management committee, as at the close of the financial year, had no pending applications from the Honourable Members.

Compliance with Statutory Requirements

The fund has complied with all the statutory rules and regulations and has not been penalized in the year under review.

Major Risks

The fund was not exposed to any major risk that could have affected its operations in the course of the year under review.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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, 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;

-Engages with stakeholders in various issues.

-Set goals and commitments to be achieved within a given period.

-Establish systems and processes in the Assembly, which are strictly followed.

-Take track progress, communicate actions and meet expectations.

2. Environmental performance-The County Assembly Service Board in collaboration with Kenya Urban Roads Authority was able to construct feeder roads around the County Assembly. The County Assembly has embarked on constructing proper drainage system within the premises. The County Assembly has also done beautification of the compound by planting trees, flowers and grass around the compound.

3.Employee welfare-The County Assembly Service Board has a programme of training all employees through capacity building which mostly is done by the Heads of Department on various topics for betterment of everystaff.The county assembly service board also has a programme of staff promotions .

4. Market place practices

a) The County Assembly Service Board ensures that there is fairness and transparency during employment and incase one is caught in the act of bribery he or she is dismissed from attending the interviews.

In addition, the County Assembly Service Boards also performs fairness in awarding of its tenders to the community. The Honorable members of the county assembly have been able to pass more bills in the Assemblies.

b) The County Assembly follows the procurement process while acquiring the goods and services for the smooth running of county assembly operations. It performs its duty with fairness and transparency by advertising for services and awarding of tenders to the tenderers in fairness following the laid down procurement process as required by the law. The Accounting Officer of the County Assembly ensures that there is merit in payments of suppliers who have offered services and supplied goods to the County Assembly.

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

c) The County Assembly ensures that it brings to the attention of the community and nation at large on its products and services at the County through advertising in the newspaper, radio and public participation engagement.

d) The County Assembly ensures that it protect and safeguard the rights and interest of consumers by involving them in public participation before passing any bill in the Assembly to ensure that each one gives its views pertaining what it is entailed in the bill before it is passed in the Assembly.

5. Community Engagement

The County Assembly engages its self in charitable giving where they donate foods to the needy especially in the most affected drought regions and vulnerable homesteads in the County, visiting the children homes in the County and giving them food, clothes among others.

The County Assembly carries out the CSR activities where the County Assembly Service Board has appointed committee comprising the Hon members and the staff members to be organizing the CSR activities in the County Assembly. The committees focus mostly on the economic, environmental and social welfare of the general community.

10. FUND ADMINISTRATION COMMITTEE

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

10.1 Principal activities

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

10.2 Performance

The performances of the fund for the year ended June 30, 2021 are set out in page 20

10.3 Trustees

The members of the fund committee who served during the year are shown in page 5 and 6

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by the Auditor General to carry out the audit of the *Tharaka Nithi County Assembly* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Sign:

Name: _____

Member of the Management Committee

Date: 15/08/2021

Tharaka Nithi County Assembly car loan and mortgage 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 established by (*Tharaka Nithi county assembly housing fund regulation 2017 and Tharaka Nithi County Assembly staff car loan fund regulations, 2017*) 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.
- (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 (*Tharaka Nithi county assembly housing fund regulation 2017 and Tharaka Nithi County Assembly staff car loan fund regulations, 2017*). 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.

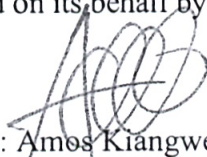
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention 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.

Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 15/08/2021 2021 and signed on its behalf by:

Sign:



Name: Amos Kiangwe Sikweya

Administrator of the County Public Fund

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 THARAKA NITHI COUNTY ASSEMBLY MORTGAGE AND CAR LOAN 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 Tharaka Nithi County Assembly Mortgage and Car Loan Fund set out on pages 20 to 50, which comprise of 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 Tharaka Nithi County Assembly Mortgage and Car Loan 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 Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017 and Public Finance Management (Tharaka Nithi County Assembly Car Loan Fund) Regulations, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Receivables from Non-Exchange Transactions.

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.34,403,980. However, no supporting schedules were provided for audit. Further, the balance is referenced as disclosed in Note 3 to the financial statements which relates to general expenses instead of Note 5 to the financial statements.

In the circumstances, the accuracy and presentation of the receivables from non-exchange transactions balance Kshs.34,403,980 could not be confirmed.

2. Inaccuracies in the Statement Cash flows

Review of the statement of cash flows for the year ended 30 June, 2021 revealed that the statement reflects an opening cash and cash equivalent comparative balance of Kshs.35,008,326 instead of the previous year's audited balance of Kshs.14,396,042. Further, the statement reflects net cash flow from financing activities of negative Kshs.21,032,544 and Kshs.20,612,284 for the year 2020/2021 and 2019/2020 respectively instead of nil amounts while the net increase/(decrease) in cash and cash equivalent is reflected as Nil instead of the computed amounts of negative Kshs.21,032,544 and Kshs.20,612,284 for the year 2020/2021 and 2019/2020 respectively.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2021 and the cash and cash equivalent balance of Kshs.13,975,782 could not be confirmed.

3. Inaccuracies in Long-Term Portion of Borrowing

The statement of financial position reflects long-term portion of borrowing of Kshs.44,000,000 which relates to car grant issued to Members of the County Assembly

and the Speaker. It is not clear and Management has not explained why the grant is classified as a liability.

In the circumstances, the accuracy of the long-term portion of borrowing balance of Kshs.44,000,000 as at 30 June, 2021 could not be confirmed.

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 judgement, are of most significance in the audit of the financial statements. There were no other key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in 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

1. Failure to Charge Log Books and Title Deeds

Disclosed in Note 5 to the financial statements is total receivables from exchange transactions of Kshs.98,023,206 in respect of loan balances. This balance includes car loan balances totalling to Kshs.6,112,906 in respect of nine (9) members and mortgage loan balances amounting to Kshs.57,506,630 relating to fifty-two (52) beneficiaries. However, evidence of the assets being jointly registered in the name of the Fund and the loan beneficiaries were not provided for audit contrary to Regulation 12(2) of the Public Finance Management (Tharaka Nithi County Assembly Car Loan Fund) Regulations, 2017 and Regulation 15(1) of the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2017.

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

2. Unremitted Tax on Car Grant

As disclosed in Note 6 to the financial statements a total amount of Kshs.44,000,000 was awarded to twenty (20) Members and the Speaker of the County Assembly in respect to

car grants. However, review of records revealed that the grant was not subjected to 30% tax amounting to Kshs.13,200,000. This is contrary to the requirements of Section 3(2)(a)(ii) of Income Tax Cap 470 which requires taxes be charged on employment benefits.

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

3. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects income final budget figure of Kshs.2,628,578 and expenditure final budget of Kshs.2,940,752. However, the Fund's approved budget for the year under review was not provided for audit, contrary to Section 129(3) of the Public Finance Management Act, 2012.

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

4. Non-Compliance with the PSASB Prescribed Template

Review of the annual report and financial statements submitted for audit revealed that the statement of performance against pre-determined objectives was missing, Further, Management did not provide an analysis of receivables into fully performing, past due and impaired receivables as required by the Public Sector Accounting Standards Board (PSASB) template.

In the circumstances, the financial statements have not been prepared in accordance with prescribed template provided by PSASB.

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 effects of the matter 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

Lack of Internal Audit Function

During the year under review, the Fund did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness through in-depth

reviews of management operations and internal controls and no evidence that internal audit work was carried out on the Fund was provided contrary to Section 155(1)(a) of Public Finance Management Act, 2012. Management did not benefit from the assurance and advisory services of the internal audit function.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires 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 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue 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 financial reporting process, reviewing the effectiveness of how 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 controls would not necessarily disclose all matters in the internal controls 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 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 controls.
- 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 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

23 September, 2022

Tharaka Nithi County Assembly car loan and mortgage 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	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies		-	-
		-	-
Revenue from exchange transactions			
Interest income	1	2,628,578	3,130,972
Other income		-	-
		-	-
Total revenue		2,628,578	3,130,972
Expenses			
Fund administration expenses	2	2,931,362	2,089,135
General expenses	3	9,390	1,065
Employee's cost	2		1,394,164
Total expenses		2,940,752	3,484,364
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		(312,174)	(353,392)

(Tharaka-Nithi County Assembly Car loan & Mortgage Fund)
Reports and Financial Statements
For the year ended June 30, 2021

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	4	13,975,782	35,008,326
Current portion of long- term receivables from exchange transactions		-	-
Receivables from Non- exchange transactions	3	34,403,980	-
Prepayments		-	-
Inventories		-	-
		-	-
Non-current assets			
Long term receivables from exchange transactions	5	63,619,226	83,097,552
Property, plant and equipment		-	-
Intangible assets		-	-
		-	-
Total assets		111,998,988	118,105,878
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities			
Long term portion of borrowing-car grant	6	44,000,000	-
Non-current employee benefit obligation		-	-
Total liabilities		44,000,000	-
Net assets		67,998,988	-
Revolving Fund	6	56,974,460	100,974,460
Reserves			-
Accumulated surplus		11,024,528	17,131,418
Total net assets and liabilities		67,998,988	118,105,878


Tharaka Nithi County Assembly car loan and mortgage fund
Reports and Financial Statements
For the year ended June 30, 2021.

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 18/08/ 2021 and signed by:



Administrator of the Fund

Name: Amos Kiangwe Sikweya



Fund Accountant

Name: Polly Kagendo Mbae

ICPAK Number: 18586

(Tharaka-Nithi County Assembly Car loan & Mortgage Fund)
Reports and Financial Statements
For the year ended June 30, 2021

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

	Revolving Fund	Revaluation Reserve	Accumulat ed surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	100,974,460	-	17,131,418	118,105,878
Surplus/(deficit) for the period		-		
Reserves		-		-
Balance as at 30 June 2020	100,974,460	-	17,131,418	118,105,878
Balance as at 1st July 2020	100,974,460	-	17,131,418	118,105,878
Funds given out as grant for the period	(44,000,000)		(5,794,716)	(49,794,716)
Surplus/(deficit) for the period		-	(312,174)	(312,174)
Reserves	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	56,974,460	-	11,024,528	67,998,988

Tharaka-Nithi County Assembly Car loan & Mortgage Fund)
Reports and Financial Statements
For the year ended June 30, 2021

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

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received	1	2,628,578	3,130,972
Receipts from other operating activities		-	-
Total Receipts		2,628,578	3,130,972
Payments			
Fund administration expenses	2	2,931,362	2,089,135
General expenses	3	9,390	1,065
Employees cost	2	-	1,394,164
Total Payments		2,940,752	3,484,364
Net cash flows from operating activities		(312,174)	(353,392)
Cash flows from investing activities			
Proceeds from loan principal repayments	5	34,403,980	27,305,676
Loan disbursements paid out		(11,124,350)	(6,340,000)
Car loan Grant	6	(44,000,000)	
Net cash flows used in investing activities		(20,720,370)	20,965,676
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(21,032,544)	20,612,284
Cash and cash equivalents at 1 JULY	4	35,008,326	14,396,042
Cash and cash equivalents at 30 JUNE	4	13,975,782	35,008,326

Tharaka-Nithi County Assembly Car loan & Mortgage Fund)
Reports and Financial Statements
For the year ended June 30, 2021

13.2 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	(-)	-	-	
Transfers from County Govt.					
Interest income	-	-	2,628,578	2,628,578	0.00%
Other income	-	-	-	-	
Total income	-	(-)	-	-	
Expenses					
Fund administration expenses	-	-	2,931,362	2,931,362	0.00%
General expenses	-	(-)	-	-	
Finance cost	-	(-)	9,390	9,390	0.00%
Total expenditure	-	(-)	2,940,752	-	
Surplus for the period	-	-	(312,174)	-	

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.

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/ Amendments: Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</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>

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

	<p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were 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>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

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 on **10th 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.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

5. Property, plant and equipment

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

6. Intangible assets

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

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

8. Inventories

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

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.

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

Contingent liabilities

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

Contingent assets

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.

10. Nature and purpose of reserves

Tharaka Nithi County Assembly creates and maintains reserves in terms of specific requirements.

11. Changes in accounting policies and estimates

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.

12. Employee benefits – Retirement benefit plans

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.

**Reports and Financial Statements
For the year ended June 30, 2021.**

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

13.Foreign currency transactions

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

14.Borrowing costs

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

15.Related parties

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 Tharaka Nithi County Assembly, or vice versa. Members of key management are regarded as related parties and comprise the directors/ Trustee, the Fund Managers and 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 Kenya Commercial Bank at the

Tharaka Nithi County Assembly Car Loan & Mortgage Fund

Reports and Financial Statements

For the year ended June 30, 2021.

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 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.

20. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: 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. Tharaka Nithi County Assembly Fund 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 Tharaka Nithi County Assembly. 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:

- i) The condition of the asset based on the assessment of experts employed by Tharaka Nithi County Assembly
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

22. Financial risk management

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

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

a) Credit risk

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

c) Market risk

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

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

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

There has been no change to Tharaka Nithi County Assembly Fund exposure to market risks or the manner in which it manages and measures the risk

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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. Tharaka Nithi County Assembly Fund 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.

e) 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:

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances		-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	56,974,460	100,974,460
Accumulated surplus	-	-
Total funds	56,974,460	100,974,460
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	2,302,781	3,130,972
Interest income from car loans	325,797	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	2,628,578	3,130,972

2. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Employees cost	2,231,362	1,394,164
Administration fees	700,000	2,089,134
Total	2,931,362	3,483,298

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Bank Charges	9,390	1,065
Total	-	-

4. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Fund account	6,428,100	3,604,136
Repayment account	7,547,682	31,404,190
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
Total cash and cash equivalents	13,975,782	35,008,326

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1155825268	6,428,100	3,604,136
Bank B	1157609368	7,547,682	31,404,190
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		13,975,782	35,008,326

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	34,403,980	28,800,000
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total Current receivables	34,403,980	28,800,000
Non-Current receivables		
Long term loan repayments due	63,619,226	54,297,552
Total Non- current receivables	63,619,226	54,297,552
Total receivables from exchange transactions	98,023,206	83,097,552

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Revolving fund

Description	2020/2021	2019/2020
	KShs	KShs
Bal b/f	100,974,460	100,974,460
Car grant	(44,000,000)	-
Total	56,974,460	100,974,460

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. 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) County Assembly;
- d) Key management;
- e) Board of Trustees; etc
- b) Related party transactions

	2020/2021	2019/2020
	Kshs	Kshs
Transfers from related parties	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	Kshs	Kshs
Fund Committee		

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

**15. 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: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		We have not received auditors General Reports for 2019/2020 therefore issues to be resolved have not been summarized in the table.		

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 County Treasury.

Tharaka Nithi County Assembly Car Loan & Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2021.

16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
 entity/Fund

Head of County Treasury at
 County

Sign -----

Sign-----=