

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

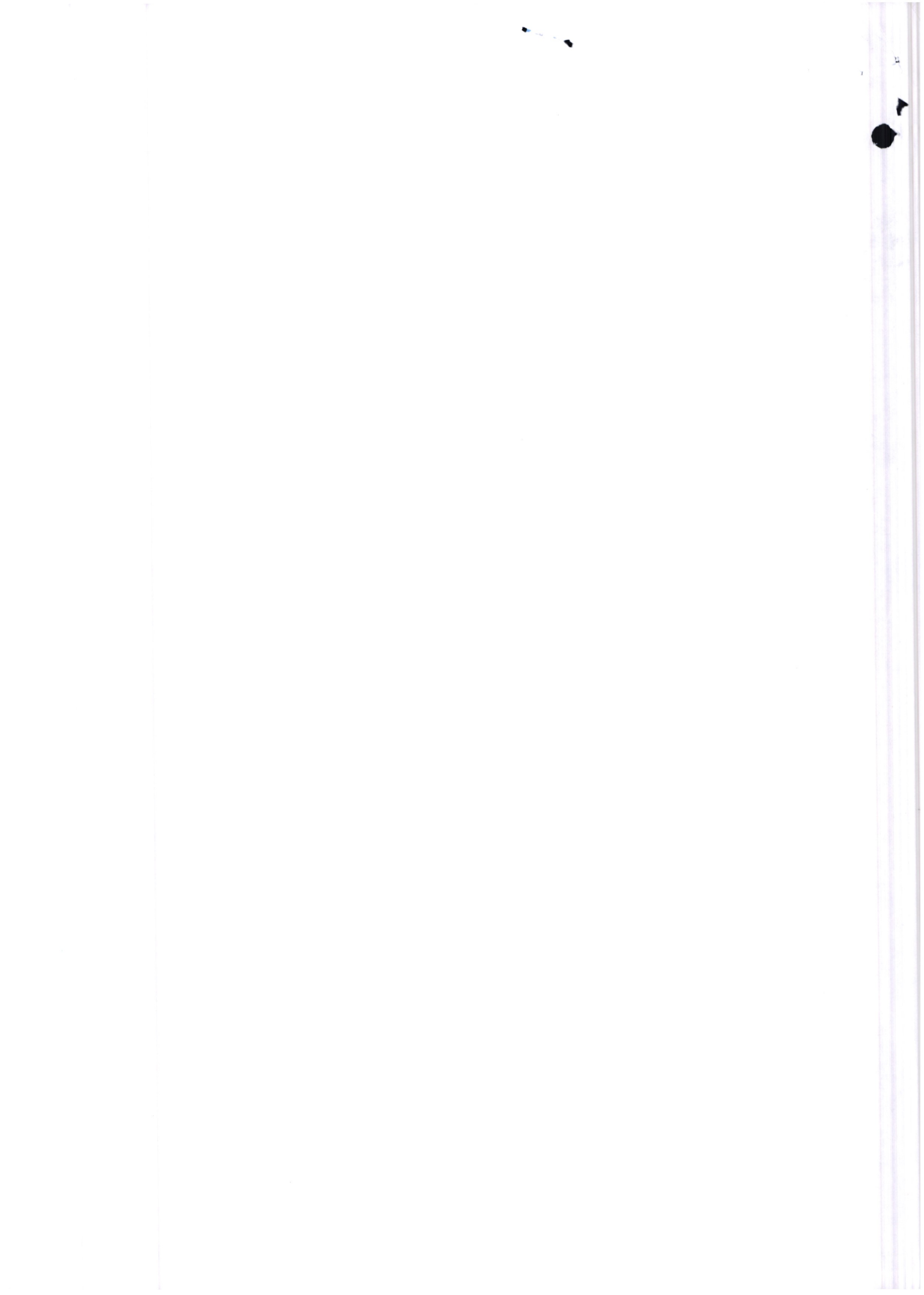
**THARAKA NITHI COUNTY
ASSEMBLY CAR LOAN AND
MORTGAGE FUND**

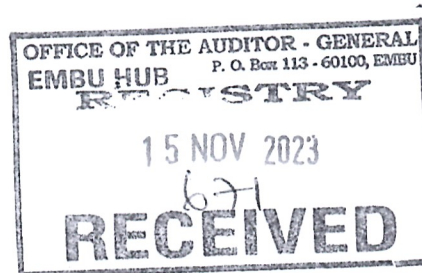
FOR THE YEAR ENDED

30 JUNE, 2023

DATE	22/2/24
TABLED BY	S.M.
COMMITTEE	
CLERK AT THE TABLE	Cherof







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

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

Tharaka Nithi County Assembly Carloan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

2. Key Entity Information and Management

a) Background information

The car loan and Mortgage Scheme Fund was established by and derives its authority and accountability from Section 116 of the Public Finance Management Act, 2012 and Salaries and Remuneration Circular No. SRC/TS/WB/3/14 of 14th February, 2014. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The fund's objective is to grant car loans and Mortgage to the Members of the County Assembly and 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 Loans).

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 the Tharaka Nithi County Assembly Fund Management Committee to efficiently and effectively fulfil the Constitutional mandate in a representative system of Devolved Government.

Core Objectives

- i. Professionalism and Team work
- ii. Accountability
- iii. Transparency and Integrity
- iv. Courtesy
- v. Efficiency and Responsiveness
- vi. Prudent use of Resources

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c) Fund Administration Committee

Ref	Name	Position
1	Hon. John Mbabu	Chairperson
2	Hon. Marengo Luke Nyagah Njeru	Member
3.	Hon. Kabii Jones Kinegeni	Member
4.	Mr. Amos Kiangwe Sikweya	Fund Administrator

d) Key Management Team

Ref	Name	Position
1	Mr. Amos Kiangwe Sikweya	Fund Administrator
2	Ms. Polly Kagendo Mbae	Fund Accountant

e) Registered Offices

Tharaka Nithi County Assembly
P.O. Box 694-60400
Former Meru South County Council Offices,
Along Chuka-Meru Highway
Chuka, Kenya.

f) Fund Contacts

Telephone: (254) 0202399828
E-mail: tharakanithicountyassembly@gmail.com
Website: www.tharakanithiassembly.go.ke

g) Fund Bankers

Kenya Commercial Bank
P.O Box 4-60400
Chuka,
Kenya.

h) Independent Auditors





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

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i) Principal Legal Adviser



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

3. Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Hon. John Mbabu</p> 	<p>He was born on 4th March, 1974.</p> <p>He holds a Bachelor's Degree in Business Administration with a working experience of over 15 years.</p> <p>He is the Speaker of the County Assembly of Tharaka Nithi and the Chairperson to the County Assembly Service Board. He is also the Chairperson to the Car loan and Mortgage Committee.</p>
<p>2. Hon. Marengo Luke Nyagah Njeru</p> 	<p>He was born on 13th March, 1992.</p> <p>He holds a Diploma in Community Development and Social work. With a working experience of over 15 years.</p> <p>He is a Member of the County Assembly of Tharaka Nithi and the Leader of the Majority Party. He is also a Member to the Car Loans and Mortgage Committee.</p>
<p>3. Hon. Kabii Jones Kinegeni</p> 	<p>He was born on 10th October, 1978.</p> <p>He holds O level and Computer proficiency certificates. With a working experience of over 15 years.</p> <p>He is a Member of the County Assembly of Tharaka Nithi and the Majority Party Whip. He is also a Member to the Car Loans and Mortgage Committee.</p>
<p>4. Mr. Amos Kiangwe Sikweya</p> 	<p>He was born on 9th December, 1983.</p> <p>He holds a Master Degree of Arts in Public Policy and Administration with a working experience of over 15 years.</p> <p>He is the Clerk of the County Assembly of Tharaka Nithi and the Secretary to the County Assembly Service Board. He is also the Fund Administrator to the Car Loan and Mortgage Fund.</p>

Tharaka Nithi County Assembly Car loans & Mortgage Fund
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4. Management Team

Name	Details of qualifications and experience
<p>1. Mr. Amos Kiangwe Sikweya</p> 	<p>He was born on 9th December, 1983.</p> <p>He holds a Master Degree of Arts in Public Policy and Administration with a working experience of over 15 years.</p> <p>He is the Clerk of the County Assembly of Tharaka Nithi and the Secretary to the County Assembly Service Board. He is also the Fund Administrator to the Car Loan and Mortgage Fund.</p>
<p>2. Ms. Polly Kagendo Mbae</p> 	<p>She was born on 23rd December, 1979.</p> <p>She holds a Master Degree in Finance and is a CPK Finalist with over 13 years working experience.</p> <p>She is a Member of Staff in the County Assembly of Tharaka Nithi serving at the capacity of Ag. Director Finance and Accounts. She is also the Fund Accountant to the Car Loan and Mortgage Fund.</p>

5. Fund Chairperson's Report

The Tharaka Nithi County Assembly Car Loan and Mortgage Scheme Fund was established pursuant to provisions of Section 116(1) of the Public Finance Management Act, 2012 which provides that a County Executive Committee Member for Finance may establish other public funds with the approval of the County Executive Committee and the County Assembly.

Further, Section 116(9) of the Public Finance Management Act, 2012 provides that regulations may provide for the establishment, management, operation or winding-up of county public funds under this section.

In this regard, the County Assembly approved Tharaka Nithi County Assembly Car Loan and Housing Fund Regulations, 2018 which were later amended in 2021 to provide for efficiency in the management and operations of the Fund.

The Tharaka Nithi County Assembly Car Loan and Housing Fund Regulations provides that the Car Loan and Management Committee shall consist of the County Assembly Speaker who shall be the Chairperson, the Clerk of the County Assembly, the Leaders of the Majority and Minority Parties, the Majority and Minority Whips and a representative of the staff appointed by the Clerk of the County Assembly.

During the period under the review, the Loans Management Committee membership changed due to transition to the Third Assembly which comprises of only the Majority Party.

At the beginning of the period under the review, the Car Loan and Mortgage Scheme Fund had a bank balance of 42,058,084 shillings with a budgetary allocation of Thirty (30) Million shillings which was disbursed within the period. The funds available were disbursed to the Members of the County Assembly upon compliance. In addition, the funds account raised interest on loans amounting to **Kshs 2,763,848.00** for the year 2022/2023

The Loans Management Committee's future outlook of the Fund is to lobby for more funds allocation in the consecutive Budgets in order to have adequate funds for the disbursement of the loans as per Members' qualifications. Further, the Committee has engaged different financial partners to negotiate on the favourable conditions for disbursements and management of the loans to enable both the Members of the County Assembly and the staff acquires residential properties and motor vehicles.

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In conclusion, the Car Loans and Mortgage Scheme Fund have been of great benefit to both the Members of the County Assembly and the staffs in enabling them acquire residential properties and motor vehicles. The Loans Management Committee envisions the funds accounts to hold adequate funds which can be disbursed to the Members as soon as they are requested.

Name Hon John Mbabu .Signature..........Date: 28th August, 2023

Chairperson of the Tharaka Nithi County Assembly Car Loan and Mortgage Fund

6. Report of The Fund Administrator

The Tharaka Nithi County Assembly Car Loan and Mortgage Scheme Fund was established pursuant to provisions of Section 116(1) of the Public Finance Management Act, 2012 which provides that a County Executive Committee Member for Finance may establish other public funds with the approval of the County Executive Committee and the County Assembly.

Section 116(2) and (4) provides that for every county public fund established, the County Executive Committee member for finance shall designate a person responsible for administering that fund. And that the administrator of a county public fund shall ensure that money held in the fund, including any earnings or accruals referred to in subsection (3) is spent only for the purposes for which the fund is established.

Further, Section 167(1) and (3) of the Public Finance Management Act, 2012 provides that The administrator of a county public fund established by the Constitution, an Act of Parliament or county legislation shall prepare financial statements for the fund for each financial year in a form prescribed by the Accounting Standards Board and that not later than three months after the end of each financial year, the administrator of a county public fund shall submit the financial statements prepared under this section to the Auditor General.

The Car Loans and Mortgage Scheme Fund has been of benefit to both the Members of the County Assembly and the staff in enabling them acquire residential properties and motor vehicles. However, due to constraints of funds, the beneficiaries have been receiving the funds in phases which causes delays in full implementation of the programs.

In this regard, the Management is pursuing to engage in strategies that would mobilize more funds in the accounts through budgetary allocations and collaboration with financial partners on disbursement and management of both Car loans and Mortgage to both the Members of the County Assembly and the staff.

The Loans Management Committee implemented key strategies in risk management of the loans where all applicants of the facilities must comply with the requirements set before disbursements and that they shall clear their loans within their time in service.

7. Statement of Performance Against the County Fund’s Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan 2020-2025 are to:

- a) *Enhance the capacity of MCAs for effective representation*
- b) *Advocate and petition on behalf of the citizen*
- c) *Strengthen gathering analysis and enhance of information*
- d) *Promote legislation through enacting laws that is progressive and relevant*
- e) *Motivate the stakeholders to own the legislative process*
- f) *Promote a practice of prudent stewardship*
- g) *Monitor implementation of Assembly decision*
- h) *Attract, develop and retain competent human capital*
- i) *Establish prudent management of finance and resources mobilization*
- j) *Improve corporate image*
- k) *Embrace information communication technology*

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied	Number of staff taking Mortgage facilities	During FY 2022/23 Hon. Members of accessed the facility and were able build their own houses

8. Corporate Governance Statement

During the period under the review, the Car Loans and Mortgage Management Committee held ten sittings in consideration of the loan applications from the Speaker and the Members of the County Assembly.

The succession plan for the Loans Management Committee is mobilize adequate funds through budgetary allocations and collaboration with financial partners to ensure that the Members of the County Assembly and the staff acquire the facilities as soon as they comply with the requirements.

Currently the Loan Management Committee has no charter though there are plans to develop it in future.

On the process of appointment or removal of the Committee members, Section 6(1) of the Tharaka Nithi Car and Housing Fund Regulations provides for the membership of the Committee which comprises of the House Leadership. This means therefore that if one member of the committee resigns or is removed from the House Leadership, the loan management committee membership automatically ceases.

In addition, Section 6(5) of the Tharaka Nithi Car and Housing Fund Regulations provides for the roles and functions of the Loan Management Committee as:

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

Further, Section 5(2) and 18(1) of the Tharaka Nithi Car and Housing Fund Regulations provides for the utilization of the interest accrued from the disbursements of loans.

During the period under the review, the Loan Management Committee approved the disbursements of loans to the Speaker and the Members of the County Assembly who had complied with the requirements. However, the funds were disbursed in phases due to constraints

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of funds. Due to the same reasons, the Committee did not undertake any induction or training but may do so in future.

In addition, the loans disbursed to the Speaker and the Members of the County Assembly were done so in compliance with the Circular issued by the Salaries and Remuneration Commission hence there were no conflicts of interest.

In Conclusion, the Loans Management Committee acts in accordance to the guidelines stipulated in the Regulations where the compliance is audited by the Office of the Auditor General and a compiled report is submitted to the County Assembly Service Board.

9. Management Discussion and Analysis

During the period under the review, the Loans Management Committee disbursed loans to the Speaker and the Members of the County Assembly amounting to Kshs. 102,630,000. The disbursements were done in phases due to inadequate funds in the funds account and delayed release of funds from the National Treasury.

The office of the Funds administrator adheres with the statutory requirements as they administer funds to the Members in terms of remitting the correct taxes and filing of tax returns to the relevant institution within the specified period to avoid fines and penalties.

Further, the Management has been engaging various financial institutions with an aim of negotiating favourable terms for partnership in provision of timely financial services to both the Members of the County Assembly and staff. The Management has separate regulations for Members of the County Assembly and the staffs since their terms of service vary.

As a measure to manage risks, deductions of the loans disbursed to both the Members of the County Assembly and the staff are done through the salary payroll and thereafter remitted to the funds accounts. In addition, the Loan Management Committee approves loans which are secured by both payslip and collateral of either charged title deed or logbook jointly registered between the applicant and the County Assembly Service Board.

10. Environmental and Sustainability Reporting

Tharaka Nithi County Assembly exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on these pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. **Sustainability strategy and profile** –The Accounting Officer of the County Assembly ensures that the Assembly operates in the ecological, social and economic environment where he ensures that the Assembly do the following;
 - Set goals and commitments to be achieved within a given period.
 - Engages with stakeholders in various issues.
 - Establish systems and processes in the Assembly, which are strictly followed.
 - Take track process, communicate actions and meet expectations.
2. **Environmental performance-** The County Assembly Service Board in collaboration with Kenya Urban Roads Authority was able to do grading and constructing the retainers on feeder roads around the County Assembly. The county Assembly has also done beautification of the compound by planting trees, flowers and grass around the compound.
3. **Employee welfare-**Tharaka Nithi County Assembly have policies guiding the hiring process which includes schemes of services which describes requirements for engagement, job descriptions, duties and responsibilities and career progression. After engagement of staff is done, there is staff induction, training and development with the guide of training and development policy to improve their skills and expertise which go a long way in improving performance. The County Assembly of Tharaka Nithi have a strategic plan which is in use and is reviewed after Five years that is year 2025 and other policies will be reviewed after three years. Tharaka Nithi County Assembly we do not have a policy on OSHA but we have catered for PDWs in that we have disability ramps where there are staircases or raised ground in our offices.

4. Market place practices-

The organisation should outline its efforts to:

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

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11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 and 4 where income received during the period and principal received is outlined.

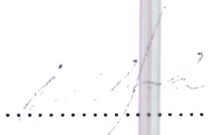
Trustees

The members of the Board of Trustees who served during the year are shown on page Vii.

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


.....
Hon John Mbabu
Chairman of the Fund
Date: 28th August,2023

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Tharaka Nithi County Assembly Carloan&Housing Fund regulation 2018 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, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Tharaka Nithi County Assembly Carloan&Housing Fund regulation 2018 . 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, 2023, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

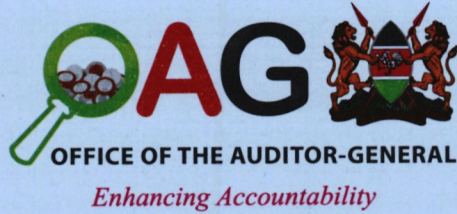
The Fund’s financial statements were approved by the Board on 28th August, 2023 and signed on its behalf by:

.....

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 CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the year ended 30 June, 2023 set out on pages 1 to 27,

Report of the Auditor-General on Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the year ended 30 June, 2023

which comprise the statement of financial position as at 30 June, 2023 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 Car Loan and Mortgage Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Tharaka Nithi County Assembly Housing Fund Regulations, 2018, Public Finance (Tharaka Nithi County Assembly Car Loan (Members) Scheme Fund) Regulations, 2022 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Overdue Loans

The statement of financial position reflects long term receivables from exchange transactions amounting to Kshs.98,767,672 as further disclosed in Note 4 to the financial statements. The amount includes previous year accrued principal loans amounting to Kshs.6,718,521 in respect to car loan and mortgage for three (3) members of staff who are no longer in employment. However, no provisions have been made for bad and doubtful debts.

In the circumstances, the existence and recovery of long term receivables from exchange transactions amounting to Kshs.6,718,521 could not be confirmed.

2. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total final revenue and expenditure budget amounting to Kshs.2,763,848 and Kshs.1,866,047 respectively. However, the approved revenue and expenditure estimates were not provided. Further, the budgeted revenue and expenditure is not balanced as required by Regulation 31 (c) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts 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 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, 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 Prepare Separate Financial Statement

The financial statements provided reports on both Tharaka Nithi County Assembly Housing Fund and Tharaka Nithi County Assembly Car Loan (Members) Scheme Fund which are established under separate regulations. This is contrary to Regulation 18(1)(d) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018 and Regulation 17(1)(d) of the Public Finance (Tharaka Nithi County Assembly Car Loan (Members) Scheme Fund) Regulations, 2022 respectively which requires the officer administering the Fund to prepare, sign and transmit to the Auditor- General in respect of each financial year, a statement of accounts relating to the Fund.

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

2. Failure to take Mortgage Protection and Fire Policy on Loans

The statement of cash flows reflects loan disbursements amounting to Kshs.102,527,749. The amount represents the total loans disbursed to the Members of County Assembly and staff of the Assembly. However, the loan beneficiaries did not take and maintain a mortgage protection insurance policy and fire insurance policy. This is contrary to Regulation 16(1) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018 which requires a borrower to take and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board, the cost of which shall be paid out of the Fund and debited in the borrower's account. Further, no documentary evidence in support of registered charges on properties acquired as required by Regulation 15 of the

Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2018.

In the circumstances, Management was in breach of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Carry Out Internal Audit on the Car Loan and Mortgage Fund

Review of records revealed that no internal audit work was carried out on the financial activities of Tharaka Nithi County Assembly Car Loan and Mortgage Fund during the year under review. The arrangements for the conduct of internal auditing for a county government entity include reviewing the governance mechanisms of the entity and mechanisms for transparency and accountability with regard to the finances and assets of the entity, conducting risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the entity, verifying the existence of assets administered by the entity and ensuring that there are proper safeguards for their protection, providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity, and evaluating the adequacy and reliability of information available to management for making decisions with regard to the entity and its operations as provided for in Section 155 of Public Finance Management Act, 2012.

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

2. Use of Manual System in Loan Calculations

As reported in the previous years, Management still maintains manual accounts for each member using Microsoft excel worksheet instead of a loan management software. The use of the manual system requires manual calculation of interest and loan balances by the human resource officers and constant monthly and/or annual updates of the data which could be prone to human error and manipulation contrary to Section 110(1)(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer for a county government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. Further, access controls to be instituted shall include (d) use of multi-factor authentication including standardization of user primary identity linked to national identification numbers, payroll numbers and assigned responsibilities.

In the circumstances, the Individual members accounts may easily be manipulated and therefore the accuracy of the account's balances could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 January, 2024



Tharaka Nithi County Assembly Carloan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	FY 2022-2023	FY 2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Sub-Total		-	-
Revenue From Exchange Transactions			
Interest Income	1	2,763,848 .00	1,517,405.00
Sub-Total		2,763,848 .00	1,517,405 .00
Total Revenue		2,763,848.00	1,517,405.00
Expenses			
Use of goods and services	2	1,866,047.00	3,627,898.00
Total Expenses		1,866,047 .00	3,627,898.00
Surplus/(Deficit) for the Period		897,801.00	(2,110,493.00)

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

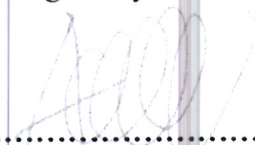
.....
Name: Polly Kagendo Mbae
Fund Accountant
ICPAK Member Number:18586

Tharaka Nithi County Assembly Car loans & Mortgage Fund
Annual Report and Financial Statements for the year ended June, 30 2023

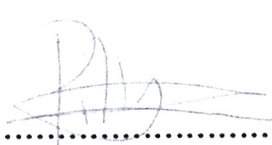
15. Statement of Financial Position As at 30 June 2023

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	3	91,680 .00	42,058,084 .00
Current Portion of Long- Term Receivables From Exchange Transactions	4	3,721,661 .00	2,151,976 .00
Total current assets		3,813,341 .00	44,210,060.00
Non-Current Assets			
Long Term Receivables from Exchange Transactions	4	98,767,672.00	27,473,151.00
Total non- current assets		98,767,672.00	27,473,151.00
Total Assets		102,581,012.00	71,683,211 .00
Liabilities			
Total current liabilities		-	-
Total Non-Current Liabilities		-	-
Total Liabilities		-	-
Net Assets			
Revolving Fund	5	86,974,460.00	56,974,460.00
Accumulated Surplus		15,606,552.00	14,708,751 .00
Total Net Assets and Liabilities		102,581,012 .00	71,683,211.00

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 28th August, 2023 and signed by:



Name: Amos Kiangwe Sikweya
Administrator of the Fund



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

Tharaka Nithi County Assembly Carloan and Mortgage Fund
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16. Statement Of Changes in Net Assets for the year ended 30th June 2023

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	56,974,460		11,024,528	67,998,988
Surplus/(Deficit) For the Period			(2,110,493)	(2,110,493)
Prior Year Adjustments			5,794,716	5,794,716
Balance As At 30 June 2022	56,974,460	-	14,708,751	71,683,211
Balance As At 1 July 2022	56,974,460	-	14,708,751	71,683,211
Surplus/(Deficit) For the Period			897,801.00	897,801.00
Funds Received During the Year	30,000,000			30,000,000.00
Balance As At 30 June 2023	86,974,460	-	15,606,552.00	102,581,012

Tharaka Nithi County Assembly Car loans & Mortgage Fund
Annual Report and Financial Statements for the year ended June, 30 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	FY 2022-2023	FY 2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	1	2,763,848.00	1,517,405.00
Receipts from other operating activities			
Total receipts		2,763,848.00	1,517,405.00
Payments			
Use of goods and services	2	1,866,047.00	3,627,898.00
Total Payments		1,866,047.00	3,627,898 .00
Net cash flows from operating activities		897,801.00	(2,110,493 .00)
Cash flows from investing activities			
Proceeds from loan principal repayments		29,663,610.00	30,192,795 .00
Loan disbursements paid out		(102,527,749.00)	
Net cash flows used in investing activities		(72,864,206.00)	30,192,795 .00
Cash flows from financing activities			
Proceeds from revolving fund receipts		30,000,000.00	
Net cash flows used in financing activities		30,000,000.00	-
Net increase/(decrease) in cash & cash Equivalents		(41,966,405.00)	28,082,302.00
Cash and cash equivalents at 1 July	3	42,058,084.00	13,975,782.00
Cash and cash equivalents at 30 June	3	91,680.00	42,058,084 .00

18. Statement Of Comparison Of Budget And Actual Amounts For The Period

Description	Original	Adjustments	Final budget	Actual on	Performance	% Utilization
	budget					
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Interest Income	2,763,848.00	-	2,763,848.00	2,763,848.00	0	
Total Income		0			0	
Expenses						
Fund Administration Expenses	1,866,047.00	-	1,866,047.00	1,866,047.00	0	
Total Expenditure	1,866,047.00	0	1,866,047.00	1,866,047.00	0	
Surplus For the Period						

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

19. Notes to the Financial Statements

1. General Information

Tharaka Nithi county assembly car loan and mortgage is established by and derives its authority and accountability from Public finance management. Section 116 of the Public Finance Management Act 2012. The entity is wholly owned by the Tharaka Nithi County Assembly and is domiciled in Kenya. The entity’s principal activity is to disburse loans to the Members and Staff of Tharaka Nithi County Assembly to facilitate them acquire residential property (mortgage) and motor vehicles (car loan)

2. Statement of compliance and basis of preparation

The Fund’s financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

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

Tharaka Nithi County Assembly Car loan and Mortgage Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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>This standard is relevant to fund account</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p>This standard is not relevant to fund account</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for

**Tharaka Nithi County Assembly Car loan and Mortgage Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>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> <p>This standard is relevant to fund account</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>This standard is not relevant to the fund account</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

**Tharaka Nithi County Assembly Car loan and Mortgage Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
	The standard is not relevant to the fund account
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>This standard is relevant to the fund account</i></p>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2023.

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on 23rd March 2022. 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 recorded additional appropriations of - on the FY 2022/2023 budget following the governing body's approval.

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.

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) 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

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.

k) Nature and purpose of reserves

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

l) 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.

m) 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 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.

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Notes to the Financial Statements

1. Interest income

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	2,758,390.00	1,410,393.00
Interest Income From Car Loans	5,458.00	107,012.00
Total Interest Income	2,763,848.00	1,517,405.00

This is interest received from loan repayment for the financial year.

2. Use of Goods and Services

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Professional Services Costs	497,500.00	2,299,248.00
Committee Allowances	1,331,101.00	1,324,000.00
Bank Charges	37,446.00	4,650 .00
Total	1,866,047.00	3,627,898.00

3. Cash and cash equivalents

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Fund Account	85,508.00	1,846,553.00
Repayment Account	6,171.00	40,211,531.00
Total Cash And Cash Equivalents	91,680 .00	42,058,084.00

Notes to the Financial Statements Continued

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

Financial Institution	Account number	FY 2022-2023	FY 2021-2022
		Kshs	Kshs
a) Current Account			
Kenya Commercial bank	1155825268	85,508 .00	1,846,553.00
Kenya Commercial bank	1157609368	6,171.00	40,211,531.00
Grand Total		91,680.00	42,058,084 .00

4. Receivables from exchange transactions

Description	FY 2022-2023	FY 2021-2022
	FY	FY
	Kshs	Kshs
Current Receivables		
Interest Receivable	341,325.00	80,697.00
Current Loan Repayments Due	3,380,337.00	2,071,279.00
Total Current Receivables	3,721,661.00	2,151,976.00
Non-Current Receivables		
Long Term Loan Repayments Due	98,767,672.00	27,473,151.00
Total Non- Current Receivables	98,767,672.00	27,473,151.00
Total Receivables From Exchange Transactions	102,489,333.00	29,625,127.00

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To The Financial Statements (Continued)

Additional disclosure on interest receivable

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Interest Receivable		
Accrued interest receivable from of long-term loans of previous years	299,718.00	299,718 .00
Current loan repayments due		
Accrued principal from long-terms loans from previous periods	6,718,521.00	6,718,521.00

The amount of Kshs 6,718,521 is a result of unserviced loans of members who exit the service.

5. Revolving Fund

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Bal b/f	56,974,460.00	56,974,460.00
Revolving Fund Receipts	30,000,000.00	-
Total Cash And Cash Equivalentents	86,974,460.00	56,974,460.00

Notes to the Financial Statements (Continued)

6. Related party balances

a) Nature of related party relationships

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

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

Notes to the Financial Statements (Continued)

7. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. 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:

Notes to the Financial Statements (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.

b) Liquidity risk management

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

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

Notes to the Financial Statements (Continued)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the 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 and for the day-to-day implementation of those policies.

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

i. Foreign currency risk

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

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Notes to the Financial Statements (Continued)

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:

Description	Current 2022-2023	Comparative 2021-2022
	Kshs	Kshs
Revolving fund	86,974,460.00	56,974,460.00
Accumulated surplus	15,606,552.00	14,708,751.00
Total funds	102,581,012.00	71,683,211.00
Less: cash and bank balances	(91,680.00)	(42,058,084.00)
Gearing	%	%

8. Events after the reporting period

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

9. Ultimate and Holding Entity

The entity is a County Public Fund established by Tharaka Nithi County Assembly Car loan and Housing Fund Regulations, 2018.

10. Currency

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

20. Annexes

Annex I: 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.

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)
1.	Lack of Approved Budget	The management noted the issue and Fund committee approves the budgets for year running of the fund	Resolved	
2.	Use of Manual Records	The management noted the issues and the fund administrator made it known to the Fund committee the need for mortgage software and its factored in the current year budget	Not resolved	Two years
3.	Irregular Procurement of professional service	The management noted the issue and it was addressed.	Resolved	
4.	Failure to carryout Internal Audit	The management noted the issue and it was addressed immediately	Resolved	
5.	Lack of mortgage protection and Fire policy	The management noted the issue and is working on the policy	Not Resolved	One year

Amos Kiangwe Sikweya
Fund Manager/Accounting Officer

Date.....