

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

**NYAMIRA COUNTY EXECUTIVE
MORTGAGE AND CAR LOAN
SCHEME FUND**

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



NYAMIRA COUNTY EXECUTIVE MORTGAGE AND CAR LOAN SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

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

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022.**

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022.**

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1. Key Entity Information and Management

(a) Background information

Nyamira County Executive Mortgage and Car Loan Scheme Fund (hereafter referred to as *the Fund*) was established under the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 and Public Finance Management (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015 on May 30, 2015. The Fund is domiciled in Kenya.

The Fund's objectives are to:

- Provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.
- Provide a loan scheme for the purchase of vehicles by members of the Scheme.

(b) Principal Activities

The principal activity of the Fund is to:

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

(c) Key Management

The Fund's day-to-day management is under the following key organs:

- Fund Administration Committee;
- Fund Administrator
- Head of Treasury Accounting Services

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairperson, Nyamira County Executive Mortgage Loans Management Committee	CPA Emilly Moraa Ongaga
2.	Fund Administrator	CPA Dominic Barare Oyugi
3.	Head of Treasury Accounting Services	CPA Lawrence Nyangena

(e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	CPA Ann Nyanchama Ong'era

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone: (254)-0738727272, 0735232323

E-mail: info@nyamira.go.ke

Website: www.nyamira.go.ke

(h) Entity Bankers

Equity Bank
Nyamira Branch
P.O. Box
Nyamira, 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

Willis Nyagarama,
Director, Legal Services,
P.O. Box 434-40500,
Nyamira,
Kenya.

2. Mortgage Loans Management Committee



CPA Emilly Moraa Ongaga
CECM: Finance and Economic Planning and
Chairperson, Mortgage Loans Management
Committee
NYAMIRA COUNTY EXECUTIVE

Academic Qualifications

Mrs. Emily Moraa Ongaga holds a post graduate degree in Business Administration (Finance) from Egerton University and a Bachelor of Arts (Economics & Sociology) degree from the University of Nairobi.

Professional Experience

Prior to her appointment, she served as the Director Corporate Services in the National Commission for Science, Technology and Innovation. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). She has a wealth of experience from various institutions spanning over twenty one years.



Mr. Harrison Morogoro Momanyi
CECM: Education & Vocational Training and
Member, Mortgage Loans Management
Committee
NYAMIRA COUNTY EXECUTIVE

Academic Qualifications

Mr. Harrison Morogoro Momanyi is from Manga ward, Manga sub-county. He holds a Bachelor of Commerce degree (Accounting option)

Professional Experience

With a wealth of experience spanning 37 years, he has worked in various banks locally before moving to the United States of America. Prior to his appointment as Executive Committee Member, he served in the position of Economic Advisor to the Governor.



Ms. Gladys Bogonko Momanyi

*CECM: Health Services and Member, Mortgage
Loans Management Committee
NYAMIRA COUNTY EXECUTIVE*

Academic Qualifications

Ms. Gladys Bogonko Momanyi comes from Nyansiongo ward, Borabu Sub-county. She holds a Bachelor of Arts degree in Education and a Master of Arts in Peace & Justice. Additionally, she holds a Postgraduate certification in Database, GIS and Remote Sensing.

Professional Experience

She has served in the County Government of Nyamira under various portfolios. County Executive Committee member in the departments of Public Service Management, Education & ICT and recently, has been re-appointed to the department of Health Services. She has over twenty three years of work experience in public service.



Ms Peris Nyaboke Oroko

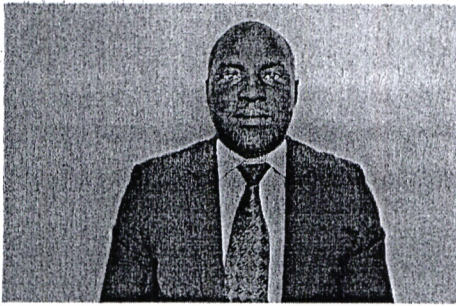
*CECM: Agriculture, Livestock & Fisheries and
Member, Mortgage Loans Management
Committee
NYAMIRA COUNTY EXECUTIVE*

Academic Qualifications

Ms. Peris Nyaboke Oroko holds a Bachelor of Science degree in Agriculture and a Master of Philosophy in Seed Science & Technology. Currently, she is pursuing her PHD in Soil Science.

Professional Experience

She has served the County Government of Nyamira as The County Executive Committee Member for Agriculture, Livestock & Fisheries to date and has over twenty eight years of work experience in public service.



CPA Dominic Barare Oyugi
Chief Officer, Finance & Planning and
Fund Administrator,
Mortgage and Car Loan Scheme Fund
NYAMIRA COUNTY EXECUTIVE

Academic Qualifications

CPA Dominic Barare Oyugi hails from Bogichora ward. He has a Masters degree in Business Administration (Finance) and a Bachelors degree in Business Administration. CPA Oyugi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Professional Experience

Previously, CPA Oyugi worked for the County Government of Nyamira as the Director of Finance and a Deputy Director of Health, Finance and Administration. Before joining the County Government, CPA Oyugi served as a Regional Accountant for Kenya Rural Roads Authority (KERRA) He has a working experience spanning over nineteen years.

3. Management Team



CPA Dominic Barare Oyugi
Chief Officer, Finance & Planning and Fund
Administrator,
Mortgage and Car Loan Scheme Fund
NYAMIRA COUNTY EXECUTIVE

Academic Qualifications

CPA Dominic Barare Oyugi hails from Bogichora ward. He has a Masters degree in Business Administration (Finance) and a Bachelors degree in Business Administration. CPA Oyugi is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Professional Experience

Previously, CPA Oyugi worked for the County Government of Nyamira as the Director of Finance and a Deputy Director of Health, Finance and Administration. Before joining the County Government service, CPA Oyugi served as a Regional Accountant for Kenya Rural Roads Authority (KERRA) He has a working experience spanning over nineteen years.



CPA Lawrence Nyangena
Head of Treasury Accounting Services
NYAMIRA COUNTY EXECUTIVE

Academic Qualifications

CPA Lawrence Nyangena hails from Gesima ward. He has a Masters degree in Business Management (Finance) and a Bachelors degree in Business Administration. CPA Lawrence has also undertaken the Senior Management and Strategic Leadership Development courses at the Kenya School of Government.

Professional Experience

CPA Nyangena is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) since 2011. He has a vast experience in public finance management having worked for both the County and National Governments in the same field.

4. Chairman's Statement

During the financial year 2015/2016, the County created a revolving mortgage and car loan scheme fund by the name Nyamira County Executive Mortgage and Car Loan Scheme Fund to provide a loan scheme for the purchase of cars and purchase, development, renovation or repair of residential property by members of the scheme (Executive Committee Member or County Public servant). The loans issued to each County Executive Committee Member would be repayable within the term in office of the office bearers at an interest rate of three (3) Per cent per annum on reducing balance.

Upon operationalization of the Fund in August 2015 an initial capital of the fund of Kshs. 52,500,000 was injected from the County Treasury. No further allocation has since been appropriated. In the financial year under review, Interest of Kshs. 1,284,639 accrued and was capitalized. Kshs. 87,581 and 1,197,058 related to performing and non-performing loans respectively. Further, Kshs. 42,175 being fringe benefit tax was paid by the County on behalf of the Fund. The Fund Capital by the end of the financial year was Kshs. 53,826,814.

For the financial year under review, the Fund recorded a deficit of Kshs. 140,073 down from a surplus of Kshs. 141,113 reported in the prior financial year ended June 30, 2021. Net assets and liabilities of Kshs. 50,801,091 were reported during the year under review, up from Kshs. 49,458,959 reported in the prior financial year ended 30th June 2021.

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

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Mortgage and Car Loan Scheme Fund for the year ended 30th June 2022.



CPA Emily Moraa Ongaga
CHAIRMAN – MORTGAGE LOANS MANAGEMENT COMMITTEE

5. Report of the Fund Administrator

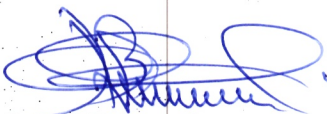
Section 19 (d) of the Nyamira County Executive Mortgage and Car Loan Scheme Fund Regulations, 2015 provides that the Administrator of the Fund shall prepare, sign and transmit to the Auditor General in respect of each financial year and within three months after the end thereof, a statement of accounts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

In the year under review, the Fund recorded a deficit of Kshs. 140,073 by netting total expenditure of Kshs.546,406 against total revenue of Kshs. 406,333. An initial outlay of Kshs. 52,500,000 was injected from the County Treasury during the 2015/16 financial year. With the accumulated deficit brought forward from the previous periods of Kshs. 3,325,895 and capitalization of accrued interest of Kshs. 1,284,639, and payment of Kshs. 42,175 by the county on behalf of the Fund, the Fund recorded total net assets and liabilities of Kshs. 50,801,091.

During the year under review, loan disbursements totalling to Kshs. 3,400,000 were done to scheme members. Principal loan recoveries of Kshs. 16,255,189 were done. The Fund ended up with Ksh 17,549,544 in cash and cash equivalents and receivables of Kshs. 33,251,547; being Kshs. 30,081,547 and Kshs. 3,170,000 from exchange transactions and non-exchange transactions respectively.

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

It is my pleasure to present the Report and Financial Statements of the Nyamira County Executive Mortgage and Car Loan Scheme Fund for the year ended 30th June 2022.



CPA Oyugi Barare Dominic

FUND ADMINISTRATOR - NYAMIRA COUNTY EXECUTIVE MORTGAGE & CAR LOAN SCHEME FUND

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the year ended June 30, 2022.**

6. Statement of Performance against Predetermined Objectives for FY 2021/22

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 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 Nyamira County Executive Mortgage and Car Loan Scheme Fund has two strategic pillars/themes/issues and objectives within the current Strategic Plan. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Nyamira County Executive Mortgage Scheme Fund

Pillare 2: Nyamira County Executive Car Loan Scheme Fund

The Fund develops its annual work plans based on the above two pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the FY 2021-2022 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Nyamira County Executive Mortgage scheme fund	To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.	Increased home ownership by the scheme members	Amount of mortgage loans advanced to scheme members	In FY 2021/2022 Nyamira county executive through the Mortgage scheme fund advanced Ksh. 3,400,000 as new loans to the scheme members
Nyamira County Executive Car Loan Scheme fund	To provide a loan scheme for the purchase of vehicles by members of the scheme.	Increased car ownership by the scheme members	Amount of car loans advanced to scheme members	In FY 2021/2022 Nyamira county executive never advanced car loans to its scheme members

7. Corporate Governance Statement

After the August 2017 general election that saw the re-election of the first governor of Nyamira County Government, H.E. John Obiero Nyagarama to office, ten County Executive Committee members were appointed to office for a two years term with effect from November 1, 2017. One of the appointed CECMs resigned. Upon expiry of the first two years term, the remaining nine CECMs were reappointed and held office until December 2020 upon the unfortunate demise of Governor John Obiero Nyagarama. H.E. Amos Nyaribo took over as the second Nyamira County Government Governor on 29th December 2020. The second governor thereafter appointed ten County Executive Committee members (CECMs). Four of these CECMs plus two other County officers serve in the County Executive Mortgage Scheme Fund management committee as appears on the Fund Board of Directors section on page iv.

8. Management Discussion and Analysis

During the year under review, the Fund recorded a deficit of Kshs. 140,073 down from a surplus of Kshs. 141,113 reported in the prior financial year ended June 30, 2021. The existing Fund governing regulations provides for only the executive county officers as the eligible scheme members. The management tabled a proposal to widen the scope of membership to the fund for the benefit of the other non-executive county officers before the County assembly. The proposal is under consideration by the said oversight body. Once this proposal is passed, the management expects to record more interest which is the major source of income from exchange transactions. This will in turn improve the financial performance of the fund and ensure its sustainability.

The fund, through the aid of a payment of Kshs. 42,175 by the County Executive on behalf of the entity was able to make good the July and August 2021 fringe benefit tax leaving Kshs. 155,391 fringe benefit tax outstanding obligations by the end of the financial year under review.

The management, from time to time, seeks to have enabling regulations governing the fund's operations and is committed to ensure strict adherence to the set fund regulations in furtherance of compliance with statutory requirements.

9. Environmental and Sustainability Reporting

The Nyamira County Executive Mortgage and Car Loan Scheme Fund exist to transform lives. This is the Fund's purpose; the driving force behind everything it does. It's what guides the Fund to deliver its strategy, putting the customer/Citizen first, delivering relevant services, and improving operational excellence.

During the financial year under review, the Fund did not engage in any activity that foster environmental and Sustainability engagement. The fund, however, intends to start engaging in activities that promote sustainability upon widening the scope of the Scheme to cover more members.

10. Report of the Mortgage Loans Management Committee

The Mortgage Loans Management Committee submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund's affairs.

i) Principal activities

The principal activities of the Entity are to:

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

ii) Results

The results of the Fund for the year ended June 30, 2022, are set out on page 1

iii) Mortgage Loans Management Committee

The members of the Mortgage Loans Management Committee who served during the year are shown on page iv. During the year no member retired/ resigned and no new appointments were done.

iv) Surplus remission

The Fund did not make any surplus during the year (FY 2021/2022) and hence no remittance to the Consolidated Fund.

v) 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 Mortgage Loans Management Committee



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CPA Oyugi Barare Dominic
FUND ADMINISTRATOR - NYAMIRA COUNTY
EXECUTIVE MORTGAGE & CAR LOAN SCHEME FUND

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Public Finance Management (Nyamira County Executive Mortgage and Car Loan Scheme Fund) Regulations, 2015 require the Directors to prepare financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Directors are 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 (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept 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 Public Finance Management (Nyamira County Executive Mortgage and Car Loan Scheme Fund) Regulations, 2015. The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

The Directors further confirms 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.

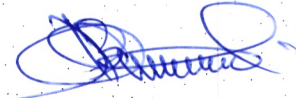
Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The Fund's financial statements were approved by the Board on 15th September 2022 and signed on its behalf by:



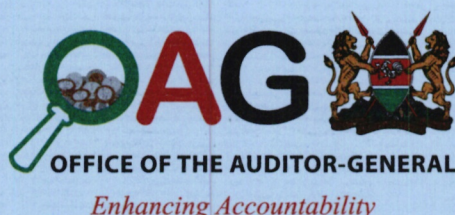
.....
CPA Emilly Moraa Ongaga
Chairman, Mortgage Loans Management Committee



.....
CPA Oyugi Barare Dominic
Fund Administrator

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NYAMIRA COUNTY EXECUTIVE MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

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

Adverse Opinion

I have audited the accompanying financial statements of Nyamira County Executive Mortgage and Car Loan Scheme Fund set out on pages 1 to 22, which comprise the

statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Nyamira County Executive Mortgage and Car Loan Scheme Fund as at 30 June, 2022, 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 do not comply with the Public Finance (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015, (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

Consolidation of Financial Statements for the Mortgage Scheme Fund and Car Loan Scheme Fund

The Nyamira County Executive Mortgage Scheme Fund was established by Regulation 3 of the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015. Regulation 3 of the Public Finance Management (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015 established the Nyamira County Executive Car Loan Scheme Fund. Section 116(2) of the Public Finance Management Act, 2021 provides that for every County Public Fund established, the County Executive Committee Member shall designate a person responsible for administering that Fund.

The financial statements submitted for audit covered the operations of the two Funds under the name 'Nyamira County Executive Mortgage and Car Loan Scheme Fund' which does not exist in the two Regulations. Management ought to have prepared separate financial statements since the Regulations established two separate entities each with a Fund Administration Committee and a Fund Administrator.

In the circumstances, it was not possible to confirm the accuracy of the financial statements.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable basis of Kshs.500,000 and Kshs.406,333 respectively, resulting to underfunding of Kshs.93,667 (or 19%) of the budget. Similarly, the Fund spent Kshs.546,406 against an expenditure budget of Kshs.349,000, resulting to an over expenditure of Kshs.197,406 which Management attributed to fringe benefit tax paid by the employer.

The underfunding may have adversely affected the operation of the Fund.

2. Unresolved Prior Year Matters

The audit report for the previous year included audit issues which remained unresolved as at 30 June, 2022. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Recovery of Loans

The statement of financial position reflects receivables from exchange transactions balance Kshs.30,081,547 which includes loans of Kshs.20,007,261 due from nine (9) former County Executive Committee Members whose respective loan principal amounts, together with interest amounting to Kshs.558,307 were not recovered during the year under review. Further, although the amount of Kshs.20,007,261 had been outstanding since December, 2020 when the officials were relieved of their duties, no evidence was provided to confirm that the Loan Management Committee had initiated any measures to recover the loans as required by the Regulations.

In the circumstances, the recoverability of the outstanding loan of Kshs.20,007,261 as at 30 June, 2022 could not be confirmed.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 The Loans Management Committee

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 governance.

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

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

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

The Loans Management Committee is responsible for overseeing the Fund's 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 March, 2023

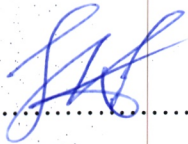
**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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For the year ended June 30, 2022.**

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Nyamira County Executive	5		583,729
			583,729
Revenue from exchange transactions			
Rendering of services	6	406,333	695,567
Total Revenue		406,333	1,279,296
Expenses			
Use of goods and services	7	546,406	1,138,183
Total Expenses		546,406	1,138,183
Surplus/(Deficit) for the period/year		(140,073)	141,113

The notes set out on pages 6 to 18 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Mortgage Loans Management Committee by:



Head of Finance

CPA Lawrence Nyangena

ICPAK Number: 12445

September 15, 2022



Fund Administrator

CPA Oyugi Barare Dominic

ICPAK Number: 15694

September 15, 2022



Chairman of Board

CPA Emilly Moraa Ongaga

ICPAK Number: 10900


September 15, 2022

Nyamira County Executive Mortgage and Car Loan Scheme Fund
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14. Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
Assets		Kshs	Kshs
Current assets			
Cash and cash equivalents	8	17,549,544	7,806,862
Receivables from Exchange Transactions	9(a)	30,081,547	37,033,838
Receivables from Non-exchange transactions	10	3,170,000	-
Total Current Assets		50,801,091	44,840,700
Non-Current Assets			
Receivables from Exchange Transactions	9(b)	-	4,618,259
Total Non-Current Assets		-	4,618,259
Total Assets		50,801,091	49,458,959
Liabilities			
Current Liabilities			
Trade and other payables	11	440,245	284,854
Total Current Liabilities			
Total Liabilities		440,245	284,854
Net Assets			
Accumulated surplus		(3,465,968)	(3,325,895)
Capital Fund	14	53,826,814	52,500,000
Total Net Assets		50,360,846	49,174,105
Total Net Assets and Liabilities		50,801,091	49,458,959

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Head of Finance
 CPA Lawrence Nyangena
 ICPAK Number: 12445
 September 15, 2022



Administrator of Fund
 CPA Oyugi Barare Dominic
 ICPAK Number: 15694
 September 15, 2022



Chairman of the Board
 CPA Emilly Moraa Ongaga
 ICPAK Number: 10900
 September 15, 2022

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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15. Statement of Changes in Net Assets for the year ended 30 June 2022

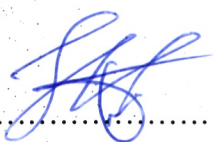
	Capital Fund	Retained Earnings	Total
		KShs	KShs
As at July 1, 2020	52,500,000	(3,467,008)	49,032,992
Issued new capital	-	-	-
Surplus/(deficit) for the year	-	141,113	141,113
As at June 30, 2021	52,500,000	(3,325,895)	49,174,105
As at July 1, 2021	52,500,000	(3,325,895)	49,174,105
Issue of new share capital	-	-	-
Interest accrued and capitalized	1,284,639	-	1,284,639
Payments by County on behalf of the Fund	42,175		42,175
Surplus/(deficit) for the period	-	(140,073)	(140,073)
As at June 30, 2022	53,826,814	(3,465,968)	50,360,846

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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16. Statement of Cash Flows for the year ended 30 June 2022

	Note	2021/2022	2020-2021
Cash flows from operating activities			
Receipts			
Rendering of Services	6	406,333	629,965
Other Income		-	-
Total Receipts		406,333	629,965
Payments			
Use of goods and services	7(a)	348,840	891,120
Adjusted for:			
Decrease/(Increase) in Accounts receivable	10	3,170,000	-
Increase/(Decrease) in Accounts payable			
Total Payments		3,518,840	891,120
Net cash flows from/(used in) operating activities	15	(3,112,507)	(261,155)
Cash flows from investing activities			
Proceeds from loan principal repayments	12	16,255,189	12,415,264
Loan disbursements paid out	13	(3,400,000)	(15,800,000)
Net cash flows from/(used in) investing activities		12,855,189	(3,384,736)
Net increase/(decrease) in cash and cash equivalents		9,742,682	(3,645,891)
Cash and cash equivalents at 1 July	8	7,806,862	11,452,753
Cash and cash equivalents at 30 June	8	17,549,544	7,806,862

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Head of Finance

CPA Lawrence Nyangena

ICPAK Number: 12445

September 15, 2022



Administrator of Fund

CPA Oyugi Barare Dominic

ICPAK Number: 15694

September 15, 2022



Chairman of the Board

CPA Emilly Moraa Ongaga

ICPAK Number: 10900

September 15, 2022

Nyamira County Executive Mortgage and Car Loan Scheme Fund
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Rendering of Services	500,000	-	500,000	406,333	93,667	81%
Other income	-	-	-	-	-	
Total income	500,000	-	500,000	406,333	93,667	
Expenses						
Use of Goods and Services	349,000	-	349,000	546,406	(197,406)	157%
General expenses	-	-	-	-	-	
Finance cost	-	-	-	-	-	
Total expenditure	349,000	-	349,000	546,406	(197,406)	
Surplus/(Deficit) for the period	151,000	-	151,000	(140,073)	291,073	
Capital Expenditure	-	-	-	-	-	

Budget Notes:

Rendering of Services: In the financial year under review, an interest of Kshs. 87,581 accrued and was capitalized to the Fund Capital

Use of Goods and Services: The Fund attracted fringe benefit tax of Kshs. 197,566, an obligation that is payable by the employer.

18. Notes to the Financial Statements

1. General Information

Nyamira County Executive Mortgage and Car Loan Scheme Fund is established by and derives its authority and accountability from the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 and Public Finance Management (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015. The Fund is wholly owned by Nyamira County Executive and is domiciled in Kenya. The Entity's principal activity is to process applications for loans in accordance with the set terms and conditions of borrowing.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the PFM Act, the Public Finance Management (Nyamira County Executive Mortgage Scheme Fund) Regulations, 2015 and Public Finance Management (Nyamira County Executive Car Loan Scheme Fund) Regulations, 2015 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.*

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

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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Standard	Effective date and impact:
	<p>useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. 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>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>Amendments to Other IPSAS resulting from</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.

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<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>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></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 Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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Standard	Effective date and impact:
IPSAS 44:	<i>Applicable 1st January 2025</i>
Non- Current Assets Held for Sale and Discontinued Operations	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.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by Nyamira County Assembly. No Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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c) 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 Equity Bank 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.

d) Comparative figures

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

e) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

Nyamira County Executive Mortgage and Car Loan Scheme Fund
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5. Transfers from Other Government entities

Description	2021-2022	2020-2021
	KShs	KShs
Payments by County on behalf of the Fund		583,729
Total		583,729

6. Rendering of Services

Description	2021-2022	2020-2021
	KShs	KShs
Interest income received from mortgage loans	406,333	629,965
Interest income accrued and capitalized		65,602
Total Revenue from the Rendering of Services	406,333	695,567

Interest was charged at 3% per annum on reducing balance.

7. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Admin Expenses	-	885,000
Training	345,900	-
Other General Expenses	200,506	253,183
Total	546,406	1,138,183

7(a) Use of Goods and Services (cash outflow)

Description	2021-2022	2020-2021
	KShs	KShs
Admin Expenses	-	885,000
Training	345,900	-
Other General Expenses - Bank charges	2,940	6,120
Total	348,840	891,120

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8. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current Account	17,549,544	7,806,862
Total cash and cash equivalents	17,549,544	7,806,862

8(a) Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
Current account			
Equity Bank	0520278737966	17,549,544	7,806,862
Total		17,549,544	7,806,862

9. Receivables from Exchange Transactions

9(a) Receivables from Exchange Transactions (Current)

Description	2021-2022	2020-2021
	KShs	KShs
Receivables		
Loan repayments due	30,081,547	37,033,838
Other exchange debtors - Unremitted payroll deductions	-	
Total Current receivables	30,081,547	37,033,838

9(b) Receivables from exchange transactions (Long-term)

Description	2021-2022	2020-2021
	KShs	KShs
Receivables		
Loan repayments due	-	4,618,259
Total non-current receivables	-	4,618,259
Total Receivables (a+b)	30,081,547	41,652,097

10. Receivables from Non-Exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Other debtors (non-exchange transactions)	3,170,000	-
Total current receivables	3,170,000	-

Nyamira County Executive Mortgage and Car Loan Scheme Fund
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11. Trade and other payables

Description	2021-2022	2020-2021
	KShs	KShs
Trade Payables	284,854	284,854
Other payables - Fringe Benefit tax	155,391	-
Total trade and other payables	440,245	284,854

12. Proceeds From Principal Loan Repayments

Description	2021-2022	2020-2021
	KShs	KShs
Proceeds From Principal Loan Repayments	16,255,189	12,415,264
Total Proceeds From Principal Loan Repayments	16,255,189	12,415,264

13. Loan Disbursements

Description	2021-2022	2020-2021
	KShs	KShs
Loan Disbursements	3,400,000	15,800,000
Total Loan Disbursements	3,400,000	15,800,000

14. Capital Fund

Description	2021-2022	2020-2021
	KShs	KShs
Initial Fund Capital	52,500,000	52,500,000
Interest Accrued and Capitalized	1,284,639	-
Payments by County on behalf of the Fund	42,175	-
	53,826,814	52,500,000

- For the period under review, an interest of Kshs. 1,284,639 accrued and was capitalized
- Nyamira County Executive paid Kshs. 42,175 being Fringe benefit tax for July and August 2021

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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15. Cash Generated from Operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	(97,898)	141,113
Adjusted for:		
Non-cash grants received	(42,175)	(583,729)
Working capital adjustments		
Increase in receivables	(3,170,000)	(65,602)
Increase in payables	197,566	247,063
Net cash flow from operating activities	(3,112,507)	(261,155)

16. Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity'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 Entity 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 Entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The Entity 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:

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	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2022				
Receivables from exchange transactions	30,081,547	8,877,232	21,204,315	-
Receivables from non-exchange transactions	3,170,000	3,170,000	-	-
Bank balances	17,549,544	17,549,544	-	-
Total	50,801,091	29,596,776	21,204,315	-
At 30 June 2021				
Receivables from exchange transactions	4,618,259	637,428	3,980,831	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	7,806,862	7,806,862	-	-
Total	12,425,121	8,444,290	3,980,831	-

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 Entity has significant concentration of credit risk on amounts due from former loan Scheme members. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have 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 Entity 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.

**Nyamira County Executive Mortgage and Car Loan Scheme Fund
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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2022				
Trade payables	440,245			440,245
Current portion of borrowings				-
Provisions				-
Employee benefit obligation				-
Total	440,245	-	-	440,245
At 30 June 2021				
Trade payables	284,854			284,854
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total	284,854	-	-	284,854

iii) Capital Risk Management

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

	2021/2022	2020/2021
	KShs	KShs
Interest Accrued and Capitalized	1,284,639	-
Payments by County on behalf of the entity	42,175	
Revolving fund	52,500,000	52,500,000
Accumulated surplus (deficit)	(3,465,968)	(3,325,895)
Total funds	50,360,846	49,174,105
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

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17. Related Party Disclosures

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.

Government of Kenya

The Government of Kenya is the principal shareholder of the Fund, holding 100% of the Fund's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

	2021-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Grants /transfers from the government		
Transfer from county government	42,175	583,729
Total	42,175	583,729

18. Events after the Reporting Period

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

19. Ultimate And Holding Entity

The Entity is a Semi- Autonomous Government Agency under the Ministry of Finance, ICT and Economic Planning of Nyamira County Executive. Its ultimate parent is the Government of Kenya.

20. Currency

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

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19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

No.	Issue / Observations from Auditor	Management comments	Status	Timeframe
REPORT ON THE FINANCIAL STATEMENTS				
Basis for Qualified Opinion				
1.	<p>Unrecovered Loans As disclosed in Note 6 to the financial statements, the statement of financial position reflects current portion of long term receivables from exchange transactions balance of Kshs. 37,033,838 which includes non-performing loans owed by nine (9) County Executive Committee Members and the late governor amounting to Kshs. 20,007,261. However, no documentary evidence was seen to confirm whether these non-performing loans were fully insured and the mortgaged properties secured through registered charges. In the circumstances, the accuracy and recoverability of the un-serviced loans balance of Kshs. 20,007,261 could not be confirmed.</p>	<p>These loan beneficiaries instituted a court case against Nyamira County Executive as to the legality of termination of their term of service once the governor exited service. This delayed the action that could have been taken by Nyamira County Executive. The Cabinet has since made a resolution that the legal department writes to the said officers and pursues the pending amounts. Further, it should be noted that the county government still holds the securities for the said loans and the officers have not been cleared to process their gratuity.</p>	Not Resolved	June 2023

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
Basis for Conclusion				
1.	<p>Disbursement of Mortgage Loans</p> <p>Note 6 to the financial statements reflects current portion of long term receivables from exchange transactions balance of Kshs. 37,033,838 which includes loan disbursements totalling Kshs. 15,800,000. However, review of these disbursements revealed that applications for these loans were not supported with adequate relevant documents including copies of designs of the proposed residential property duly approved by the relevant department of the County Government, bills of quantities or renovation/repair specifications and management committee approval minutes as provided for in the mortgage regulations. In the circumstances, the regularity of the loan disbursements totalling Kshs. 15,800,000 could not be confirmed.</p>	<p>The management took note of the auditor's recommendation and commits to take remedial action for ensuing disbursement of mortgage loans.</p>	<p>Not resolved</p>	<p>June 2023</p>

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2.	<p>Failure to Register a Charge on Securities</p> <p>The Fund's statement of financial position reflects a balance of Kshs. 37,033,838 under current portion of long-term receivables from exchange transactions and a balance of Kshs. 4,681,259 under long-term receivables from exchange transactions, all totalling Kshs. 41,652,097. Review of the title deeds securing the mortgage loans revealed that the Fund had not registered charges on the title deeds to reflect its interest in the properties and secure the outstanding loans. This is contrary to Regulation 16(1) of the Nyamira County Executive Mortgage Scheme Fund Regulations, 2015 which requires the County Government to have a charge registered on the property financed through a loan granted and to have its name entered in all documents of title for such property. In the circumstances, Management was in breach of the law.</p>	<p>The management took note of the auditor's recommendation and commits to take remedial action for ensuing disbursement of mortgage loans.</p>	Not resolved	June 2023
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3.	<p>Lack of Mortgage Protection and Fire Policy</p> <p>Review of the mortgage protection risk notes revealed that scope of cover was death and permanent disability and the time of risk cover commenced on 26th March 2021, thus leaving out loans un-insured for nine (9) months during the period under review. This is contrary to Regulation 17(1) of the Nyamira County Executive Mortgage Scheme Fund Regulations, 2015 which requires a borrower to take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the Committee. In the Circumstances, Management was in breach of the law.</p>	<p>The management took note of the auditor's recommendation and commits to take remedial action for ensuing disbursement of mortgage loans.</p>	<p>Not resolved</p>	<p>June 2023</p>
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CPA Oyugi Barare Dominic

FUND ADMINISTRATOR - NYAMIRA COUNTY EXECUTIVE CAR LOAN & MORTGAGE SCHEME FUND

September 15, 2022