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REPORT

OF

THE AUDITOR-GENERAL

ON

**COUNTY ASSEMBLY OF NYERI CAR LOAN
AND MORTGAGE (MEMBERS')
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

PAPERS LAID	
DATE	09/03/2022
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	CHEROP C.

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**COUNTY ASSEMBLY OF NYERI CAR LOAN AND MORTGAGE
(MEMBERS) SCHEME FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

REVISED

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

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2020**

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**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Nyeri County Assembly Car Loan Scheme is a revolving, fund established pursuant to the Salaries and Remuneration Commission (SRC) circular Number SRC/ADM/CIR/1/13/VOL.111(128) dated 17th December 2014, SRC/ADM/CIR/1/13/VOL.111(130) dated 29th January 2015, SRC/ADM/CIR/1/13/VOL.111(142), of 25th August, 2016 and Nyeri County Assembly Car Loan and Mortgage Scheme Fund Regulations, 2017; Kenya Gazette Supplement No.14 dated 22nd November, 2017. Section 167 of the Public Finance Management (PFM) Act 2015 mandates the administrator of public funds with the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, The County Assembly adopted the PFM regulations 2016 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Assembly Service Board appointed a banking institution to manage the fund.

The fund is under the management of financial institution i.e. Family Bank-Nyeri Branch. The role of the bank is to provide administration services for the fund. This includes recovery of instalments and maintenance of members loan details.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising therefrom, the County Executive Committee Member for Finance signed the Regulations on 3rd November, 2017. The Fund's principal activity is to provide Mortgage and Car loans to Members of the County Assembly.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to offer subsidized loans to Members of the County Assembly.

Vision

“The fund of choice for Members of County Assembly”

Mission

“To provide affordable, accessible and sustainable car loans to Members of County Assembly”

Core Values

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. James Kanyugo Mwangi	Chairman
2	Hon. Margaret Muthoni Kuruga	V/Chairperson
3	Hon. Sebastian Mugo Theuri	Member
4	Hon. Eric Mwangi Kahugu	Member
5	Hon. Lynette Wanjiru Kinyua	Member

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

d) Key Management

Ref	Name	Position
1	Jernard Mwiggeh	Fund Administrator
2	Scolastica Wambui	Member
3	Josiah Mathenge	Member
4	Joseph Kimiti	Member
5		

e) Registered Offices

County Assembly of Nyeri

P.O. Box 162 – 10100

County Assembly Building
Nyeri Nairobi Road
Nyeri, KENYA

f) Fund Contacts

g) Fund Bankers

Family Bank
Head Office
P.O. Box 74145 - 00200
Muindi Mbingu Street

Thro. Nyeri Branch

h) Independent Auditors

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

i) Principal Legal Adviser

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

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2020**

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

Introduction.

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

The key objectives of the County Assembly of Nyeri Car and Mortgage (Members) Scheme Fund are to:

- a) Provide Loans to members to purchase vehicles for reliable mobility
- b) Provide loans to Members to acquire or build quality residential houses

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loans	To facilitate Members purchase vehicles	Increased efficient mobility of members to and from the Assembly	Members have acquired vehicles	In FY 19/20 all the members had acquired vehicles
Mortgage Loans	To facilitate Members build or acquire residential houses	Improved housing of Members	Members have acquired /build residential houses	In FY 19/20 all the members had quality and decent houses.

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

3. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the management team, the County Assembly of Nyeri Car loan & Mortgage fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability through resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

Review of performance

Income

The fund earned revenue amounting to Ksh. 4,222,765.41 from other exchange transactions. This through the interest from loans advanced members.

Loans disbursement during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to balances in the accounts and repayment of loans by members.

Expenditures

The total expenditures during the period amounted to KShs. 4,770,933.35 out of which the administration expenses amounted to KShs. 4,761,333.35 and finance costs KShs. 9,600.00 total expenditures respectively.

Future outlook

The outlook of the Fund for 2020/2021 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

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

I look forward to your continued support in the year 2020/2021

Signed: 

Hon. James Kanyugo

Fund Chairman

Signed: _____

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

4. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the County Assembly of Nyeri Car loan and Mortgage financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the fund over the past year.

The fund was established in January, 2018 started with an amount of Ksh. 253M. Since then, a total of 54 loan beneficiaries have made borrowings amounting to Ksh. 251.5 M. We have achieved to give loans to all members as per their requests and the approval of the management team.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the fund made revenue from interest on loans from members amounting to Ksh. 4,222,765.41. This was made possible by the fact that, all members paid up their monthly instalments as at the close of the FY 2019/2020.

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

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Public contributions and donations			
Transfers from County Govt.	0		
Interest income	4,222,765.41	4,222,765.41	
Fines, penalties and other levies			
Other income			
Total income	4,222,765.41	4,222,765.41	

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

REPORT OF THE FUND ADMINISTRATOR (Continued)

b) Loans

During the financial year 2019/2020, the fund disbursed 2 loans bringing the total loan beneficiaries to date to 54 loans. This brought full loan disbursement to all members since the inception of the fund.

c) Cash flows

In the FY 2019/2020, we have not had many liquidity disruptions. This was as a result of proper planning and better loan collections. The cash and cash equivalents was Kshs. 128,400,550.78 as at 30th June 2020.

d) Conclusion

FY 2019/2020 was a good year in general. Good progress was made in as all the members have been loaned and the momentum has been created to enable County Assembly of Nyeri Car loan and Mortgage fund continue on a trajectory into prosperity. We identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the management team for their support. I would also want to thank all staff who we have worked hand in hand to ensure that County Assembly of Nyeri Mortgage and Car loan fund achieves its mission..

Signed: 

**Jenard Mwiggeh
Fund Administrator**

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND**

**Reports and Financial Statements
For the year ended June 30, 2020**

5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

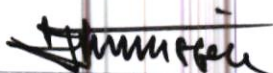
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) 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 *(County Assembly Of Nyeri Car Loan And Mortgage9members)Scheme Fund Regulations 2017)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, 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

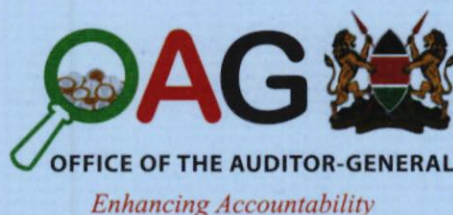
The Fund's financial statements were approved by the Board on 28TH SEPT. 2020 and signed on its behalf by:



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 COUNTY ASSEMBLY OF NYERI CAR LOAN AND MORTGAGE (MEMBERS') SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Nyeri Car Loan and Mortgage (Members') Scheme Fund set out on pages 10 to 46, which comprise the statement of financial position as at 30 June, 2020, 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 effects 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 the Nyeri Car Loan and Mortgage (Members') Scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Provide Approved Budget

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects final budget of Kshs.4,800,000 and Kshs.5,010,000 for revenue and expenditure, respectively. However, an approved budget by the delegated committee or County Assembly was not provided for audit review.

Consequently, the accuracy and completeness of the budget figures could not be confirmed.

2. Inaccurate Cash and Cash Equivalent Balances

The statement of financial position reflects cash and cash equivalents balance of Kshs.128,400,550 and Kshs.82,262,434 as at 30 June, 2020 and 30 June, 2019 respectively. It was however noted that although the 2018/2019 financial year closing cash and cash equivalent balance was Kshs.82,262,434, a re-computation on the statement of cash flows amounted to a balance of Kshs.173,647,601 resulting in a variance of Kshs.91,385,167 which was not explained or reconciled.

Further, the Fund Administrator did not provide bank reconciliations to account for the differences between the bank confirmation certificates and financial statement balances as at 30 June, 2020. Details are as follows:

Description	Account Number/ Name	Balance in Bank Certificate (Kshs.)	Balance in Financial Statements (Kshs.)	Variance (Kshs.)
Current Account Main	55000044194	25,349,161	7,342,111	18,007,050
Current Account Collection	55000044823	68,261,463	73,182,720	4,921,257
Current Account Interest	55000045668	1,438,720	1,737,603	298,883
Total		95,049,344	82,262,434	23,227,190

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.128,400,550 as at 30 June, 2020 could not be confirmed.

3. Unsupported Proceeds from Loan Repayments

The statement of cashflows shows proceeds from loan principal repayments of Kshs.49,186,284 whose supporting documents were not provided for audit verification.

Consequently, the accuracy of the statement of cashflows for the year ended 30 June, 2020 could not be confirmed.

4. Non-Compliance with the Recommended Financial Reporting Template

The statement of performance against county entity's pre-determined objectives on page 4 of financial statement does not indicate the number of Members of County Assembly who were expected to benefit from County Assembly of Nyeri Car Loan and Mortgage (Members') Schemes Fund and the actual members who benefited. The recommended financial reporting framework requires expected outputs or performance indicators and actual performance to be indicated.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

The following issues were raised in the previous audit report for 2018/2019 financial year but have remained unresolved to date:

1. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.82,262,434.10 as at 30 June, 2019. However, the fund administrator did not present bank reconciliations statements for the following bank accounts held at Family Bank:

Account Number/ Name	Balance in Bank Certificate (Kshs.)	Balance in Financial Statements (Kshs.)	Variance (Kshs.)
055000044194 (Main Account)	25,349,161	7,342,111	18,007,050
055000044823 (Collection Account)	68,261,463	73,182,720	4,921,257
055000045668 (Interest Account)	1,438,720	1,737,603	298,883

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.82,262,434 as at 30 June, 2019 could not confirmed.

2. Failure to Provide Approved Budget

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects final budget of Kshs.5,970,161 and Kshs.5,459,697, for revenue and expenditure, respectively. However, approved budget by the delegated committee or County Assembly was not provided for audit review.

3. Failure to Provide Security for Car Loan and Mortgage

According to records presented for audit review, the Fund's administrator had advanced loans amounting to Kshs.248,000,000 to Members of the County Assembly since inception out of which an amount of Kshs.172,826,900 was outstanding as at 30 June, 2019. However, the administrator did not cause a charge on assets acquired through the Car Loan and Mortgage Scheme Fund.

Further, Section 14 of the Public Finance Management (Nyeri County Assembly Car Loan and Mortgage Scheme Fund) Act, 2017 requires the borrower to maintain a mortgage protection policy and fire policy. However, there was no evidence indicating that insurance covers were taken by the borrowers. It is, therefore, not clear whether the funds advanced would be recovered in case of default by borrowers.

Management has not provided reconciliation or explanations why these variances highlighted in 2018/2019 financial year report have not been resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Loan Repayment Arrears

Note 12 to the financial statements reflects current receivables of Kshs.5,654,418 representing unrecovered March, 2020 loan repayments due from the Members of the County Assembly. Delays and failure to recover loan repayments contravenes Section 15 of the County Assembly of Nyeri Car Loan and Mortgage (Members') Scheme Fund Regulations, 2017 and Section 6(g) of the Addendum to the Service Level agreement between the Family Bank and the Nyeri County Assembly Service Board.

To this extent, the Management is in breach of the law.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of the Fund 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 financial reporting process, reviewing the effectiveness of how the entity 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 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 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

28 January, 2022

**COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2020**

7. FINANCIAL STATEMENTS

7.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	4,222,765.41	5,970,161.87
Other income	5	-	-
Total revenue		4,222,765.41	5,970,161.87
Expenses			
Fund administration expenses	6	4,761,333.35	5,450,847.18
Staff costs	7	-	-
General expenses	8	-	-
Finance costs	9	9,600.00	8,850.00
Total expenses		4,770,933.35	5,459,697.18
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit)for the period		(548,167.94)	510,464.70

The notes set out on pages 31 to 44 form an integral part of these Financial Statements

COUNTY ASSEMBLY OF NYERI CAR AND MORTGAGE
(MEMBERS) SCHEME FUND

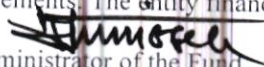
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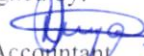
For the year ended June 30, 2020

7.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	128,400,550.78	82,262,434.07
Current portion of long term receivables from exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	128,400,550.78	82,262,434.07
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	126,474,947.08	172,826,900.02
Total assets		254,875,497.86	255,089,334.09
Liabilities			
Current liabilities			
Provisions	17	-	-
Trade and other payables from exchange transactions	18	334,331.22	614,854.45
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total liabilities		334,331.22	614,854.45
Net assets			
Revolving Fund		254,541,166.64	255,089,334.09
Reserves		253,353,013.69	253,353,013.69
Accumulated surplus		1,188,152.71	1,736,320.65
Total net assets and liabilities		254,541,166.40	255,089,334.34

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 28 SEPT. 2020 and signed by:


Administrator of the Fund
Name: JENARA N. MWIGASHI


Fund Accountant
Name: 8458 JOSEPH KUMITI
ICPAK Member Number:

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7.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
Balance as at 1 July 2018	253,353,013.69	-	1,225,855.95	254,578,869.64
Surplus/(deficit) for the period	-	-	510,464.70	510,464.70
Funds received during the year				
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	253,353,013.69	-	1,736,320.65	255,089,334.34
Balance as at 1 July 2019	253,353,013.69	-	1,736,320.65	255,089,334.34
Surplus/(deficit) for the period	-	-	548,167.94	548,167.94
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	253,353,013.69	-	1,188,152.71	254,541,166.40

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7.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	-	-	-
Transfers from the County Government	-	-	-
Interest received	4	4,222,765.41	5,970,161.87
Receipts from other operating activities		-	-
Total Receipts		4,222,765.41	5,970,161.87
Payments			
Fund administration expenses	6	4,761,333.35	5,450,847.18
General expenses		-	-
Finance cost	9	9,600.00	8,850.00
Total Payments		4,770,933.35	5,459,697.18
Net cash flows from operating activities	-	548,167.94	510,464.70
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		49,186,284.65	73,173,099.78
Loan disbursements paid out		(2,500,000.00)	(18,000,000.00)
Net cash flows used in investing activities		46,686,284.65	55,173,099.78
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	80,987,825.00
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	80,987,825.00
Net increase/(decrease) in cash and cash equivalents		46,138,116.71	136,671,389.48
Cash and cash equivalents at 30 JUNE 2019		82,262,434.07	36,976,212.34
Cash and cash equivalents at 30 JUNE 2020		128,400,550.78	82,262,434.07

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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**7.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
PERIOD ENDED 30th JUNE 2020**

	Original budget	Adjustmen ts	Final budget	Actual on comparable basis	Performan ce difference	% utilisati on
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	00	0	00	00	0	
Transfers from County Govt.						
Interest income	4,800,00	-	4,800,000	4,222,765	(577,235)	87%
Other income	00	-	00	00	00	
Total income	4,800,000	0	4,800,000	4,222,765	(577,235)	87%
Expenses						
Fund administration expenses	5,000,000	-	5,000,000	4,761,333	(238,667)	95%
General expenses	00	0	00	00	00	
Finance cost	10,000	0	10,000	9,600	(400)	96%
Total expenditure	5,010,000	0	5,010,000	4,770,933	(239,067)	95%
Surplus for the period				(548,168)		

During the year under review the Fund issued one of Ksh.2, 500,000 to one member. Loan recovery was estimated at ksh.67, 200,000. The collection for the period was ksh.62,000,000.

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7.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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.
IPSAS 42: Social	Applicable: 1st January 2022

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Standard	Effective date and impact:
Benefits	<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> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

e) Early adoption of standards

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 21st June, 2019. 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 didn't record additional appropriations of in the FY 2019/2020 budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

5. Property, plant and equipment

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

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

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

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.

11. Employee benefits– Retirement benefit plans

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

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

12. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. 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.

14. 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.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Act (*County Assembly of Nyeri Car Loan and Mortgage Members) Scheme Fund Regulations 2017*). Under the Ministry of devolution. Its ultimate parent is the County Government of Nyeri

19. Currency

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

20. Significant judgments and sources of estimation uncertainty

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

State all judgments, estimates and assumptions made: e.g.

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

Useful lives and residual values

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

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

Provisions

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00
At 30 June 2019				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
Total	00	00	00	00

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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

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.

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	00	00	00	00
Current portion of borrowings	00	00	00	00
Provisions	00	00	00	00
Employee benefit obligation	00	00	00	00
Total	00	00	00	00
At 30 June 2018				
Trade payables	00	00	00	00
Current portion of borrowings	00	00	00	00
Provisions	00	00	00	00
Employee benefit obligation	00	00	00	00
Total	00	00	00	00

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

i. Foreign currency risk

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

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:

	KShs	Other currencies KShs	Total KShs
At 30 June 2019			
Financial assets	00	00	00
Investments	00	00	00
Cash	00	00	00
Debtors/ receivables			
Liabilities			
Trade and other payables	00	00	00
Borrowings	00	00	00
Net foreign currency asset/(liability)	00	00	00

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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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2020			
Euro	10%	00	00
USD	10%	00	00
2019			
Euro	10%	00	00
USD	10%	00	00

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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 548,167.94 (2020: KShs 548,167.94). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 510,464.70 (2019 – KShs 510,464.70)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	00	00
Revolving fund	00	00
Accumulated surplus	00	00
Total funds	00	00
Total borrowings	00	00
Less: cash and bank balances	(00)	(00)
Net debt/(excess cash and cash equivalents)	00	00
Gearing	00	00

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7.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	0.00	-
Payments by County on behalf of the entity	0.00	-
Total	0.00	-

3. Fines, penalties and other levies

Description	FY2018/2019	FY2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage or car loans	4,222,765.41	5,970,161.87
Total interest income	4,222,765.41	5,970,161.87

5. Other income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Insurance recoveries	-	-

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Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loan processing costs Family Bank Interest	1,407,588.35	1,986,847.18
Professional services costs Committee Allowance	2,120,000.00	3,464,000.00
Fridge Benefits	1,233,745.00	
Total	4,761,333.35	5,450,847.18

7. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

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8. General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	-	-

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9. Finance costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks charges	9,600.00	8,850.00
Total	9,600.00	8,850.00

10. Gain/(loss) on disposal of assets

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Property ,plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits		
Current account main	1,834,910.74	7,342,110.74
Current account collection	126,037,666.67	73,182,720.10
Current account interest	527,973.37	1,737,603.23
Total cash and cash equivalents	128,400,550.78	82,262,434.07

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

		FY2019/2020	FY2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	-

12. Receivables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	1,002,993.15	
Current loan repayments due	4,641,807.95	
Other exchange debtors	9,617.00	-
Less: impairment allowance		
Total Current receivables	5,654,418.10	-
Non-Current receivables		
Long term loan repayments due	120,820,528.98	172,826,900.02
Total Noncurrent receivables	120,820,528.98	172,826,900.02
Total receivables from exchange transactions	126,474,947.08	172,826,900.02

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Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	00	00
Current loan repayments due	00	00
Other exchange debtors	00	00
Less: impairment allowance	(00)	(00)
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	00	00
Total Non-current receivables	00	00
Total receivables from exchange transactions	00	00

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	00	00
Accrued interest receivable from of long-term loans of previous years	00	00
Interest receivable from current portion of long-term loans issued in the current year	00	00
Current loan repayments due		
Current portion of long-term loans from previous years	00	00
Accrued principal from long-terms loans from previous periods	00	00
Current portion of long-term loans issued in the current year	00	00
	KShs	KShs

13. Revenue from Non-Exchange transaction

Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	00	00
Transfer to 00X Fund	00	00
Total receivables from non-exchange transactions	00	00

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14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	00	00
Prepaid insurance	00	00
Prepaid electricity costs	00	00
Other prepayments(specify)	00	00
Total	00	00

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	00	00
Spare parts and meters	00	00
Catering	00	00
Other inventories(specify)	00	00
Total inventories at the lower of cost and net realizable value	00	00

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16. Property, plant and equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
At 1 st July 2018	00	00	00	00	00
Additions	00	00	00	-	00
Disposals	(00)	(00)	-	-	(00)
Transfers/adjustments	00	(00)	00	(00)	(00)
At 30 th June 2019	00	00	00	00	00
At 1 st July 2019	00	00	00	-	00
Additions	00	00	00	-	00
Disposals	(00)	-	-	-	(00)
Transfer/adjustments	(00)	00	00	(00)	(00)
At 30 th June 2020	00	00	00	00	00
Depreciation and impairment					
At 1 st July 2018	(00)	(00)	(00)	(00)	(00)
Depreciation	(00)	(00)	(00)	(00)	(00)
Impairment	(00)	-	-	-	(00)
At 30 th June 2019	00	00	00	00	00
At 1 st July 2019	(00)	(00)	(00)	(00)	(00)
Depreciation	00	00	00	00	00
Disposals	(00)	-	-	-	(00)
Impairment	(00)	(00)	-	-	(00)
Transfer/adjustment	00	(00)	(00)	00	00
At 30 th June 2020	00	00	00	00	00
Net book values					
At 30 th June 2019	00	00	00	00	00
At 30 th June 2020	00	00	00	00	00

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17. Intangible assets-software

Description	2019/2020		2018/2019	
	KShs		KShs	
Cost				
At beginning of the year	00		00	
Additions				
At end of the year	00		00	
Amortization and impairment				
At beginning of the year	00		00	
Amortization				
At end of the year	00		00	
Impairment loss				
At end of the year	00		00	
NBV	00		00	
	00		00	

18. Trade and other payables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Trade payables		
Refundable deposits	-	-
Accrued expenses interest to family bank	334,331.22	614,854.45
Other payables	-	-
Total trade and other payables	334,331.22	614,854.45

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	00	00	00	00
Additional Provisions	00	00	00	00
Provision utilised	(00)	(00)	(00)	(00)
Change due to discount and time value for money	(00)	(00)	(00)	(00)
Transfers from non-current provisions	00	00	00	00
Balance at the end of the year (30.06.2019)	00	00	00	00

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20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	00	00
External borrowings during the year	00	00
Domestic borrowings during the year	00	00
Repayments of external borrowings during the period	(00)	(00)
Repayments of domestics borrowings during the period	(00)	(00)
Balance at end of the period	00	00

The table below shows the classification of borrowings into external and domestic borrowings:

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from '00 organization'	00	00
Sterling Pound denominated loan from 'yyy organization'	00	00
Euro denominated loan from zzz organization'	00	00
Domestic Borrowings		
Kenya Shilling loan from KCB	00	00
Kenya Shilling loan from Barclays Bank	00	00
Kenya Shilling loan from Consolidated Bank	00	00
Borrowings from other government institutions	00	00
Total balance at end of the year	00	00

The table below shows the classification of borrowings long-term and current borrowings:

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	00	00
Long term borrowings	126,474,947.08	177,748,156.69
Total	126,474,947.08	177,748,156.69

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21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	00	00
Account receivable issued during the year (B)	00	00
Account receivable settled during the Year (C)	00	00
Net changes in account receivables D= A+B-C	00	00

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	00	00
Accounts Payable held during the year (B)	00	00
Accounts Payable paid during the Year (C)	00	00
Net changes in account receivables D= A+B-C	00	00

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	00	00	00	00
Non-current benefit obligation	00	00	00	00
Total employee benefits obligation	00	00	00	00

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24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	00	00
Adjusted for:		
Depreciation	00	00
Amortisation	00	00
Gains/ losses on disposal of assets	(00)	(00)
Interest income	(00)	(00)
Finance cost	00	00
Working Capital adjustments		
Increase in inventory	(00)	(00)
Increase in receivables	(00)	(00)
Increase in payables	00	00
Net cash flow from operating activities	00	00

25. 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

- e) County Assembly of Nyeri; etc

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b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	00	00
Transfers to related parties	00	00

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	00	00
Key Management Compensation	00	00
Total	00	00

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	00	00
Due from County Government	00	00
Total	00	00

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	00	00
Due to County Government	00	00
Due to Key management personnel	00	00
Total	00	00

26. Contingent assets and contingent liabilities

Contingent Liabilities	2019/2020	2018/2019
	KShs	KShs
Court case 00 against the Fund	00	00
Bank guarantees	00	00
Total	00	00

(Give details)

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8.0 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
30 th June, 2018	1. Accuracy of Statement Cash Flow	The management would wish to clarify that the amount of Kshs.1, 844,563.35 was the amount of interest earned from loans advanced to the members as at 30 th June, 2019 thus, the increase in operating activities	Principal Finance Officer	Not resolved	21/10/2019
30 th June, 2018	2. Receivables from Exchange Transaction	The management	Principal Finance Officer	Not resolved	21/10/2019

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		wishes to clarify that, the interested earned of kshs 1,844,563.35 was reflected as long term receivables from exchange transactions in accordance with the financial reporting template provided by the National Treasury.			
30 th June, 2018	3. Unsupported Balances	Management wishes to clarify that, the supporting schedules, ledgers and supporting details are provided	Principal Finance Officer	Not resolved	21/10/2019
30 th June, 2018	1. Failure to prepare budget for the fund	The Assembly budget has a ceiling which is determined	Principal Finance Officer	Not resolved	21/10/2019

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by CRA
(Commission
on Revenue
Allocation)
therefore, this
amount could
not have been
accommodated
in the
Assembly
Budget.
However, it
was captured
under the
executive
budget as
indicated in
the copies of
approved
Estimates for
the financial
year
2017/2018 and
2014/2015

30 th June, 2018	2. Irregular disbursement of funds without collaterals	The management wishes to clarify that, all the collaterals for the	Principal Finance Officer	Not resolved	21/10/2019
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purchase of cars and properties are all charged under the County Assembly of Nyeri and as such there is no risk of loss of public funds as the funds are properly secured

30 th June, 2018	3. Late Submissions of the Financial Statements for Audit	The Assembly regrets the delay and promises the same will never be repeated in future.	Principal Finance Officer	Not resolved	21/10/2019
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Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

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- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.