

REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

PAPERS LAID	
DATE	6/3/2024
TABLED BY	Maj. Leader
COMMITTEE	—
CLERK AT THE TABLE	Angela

**OF**  
**THE AUDITOR-GENERAL**

PARLIAMENT  
OF KENYA  
LIBRARY

**ON**

**COUNTY ASSEMBLY OF NAKURU  
(MEMBERS) CAR LOAN, GRANT AND  
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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**COUNTY ASSEMBLY OF NAKURU  
CAR LOAN, GRANT AND MORTGAGE SCHEME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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

**County Assembly of Nakuru**  
**Car Loan, Grant and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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**1. Acronyms and Glossary of Terms**

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

**County Assembly of Nakuru**  
**Car Loan, Grant and Mortgage Scheme Fund**  
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**2. Key Entity Information and Management**

**a) Background information**

The Nakuru County Assembly Car Loan and Mortgage Fund was established under County Government of Nakuru Car Loan and Mortgage Scheme Fund Regulations of 2016. The regulations were amended on 19<sup>th</sup> February, 2021. The Fund is wholly owned by the County Assembly of Nakuru and is domiciled in Kenya.

The principal purpose and object of the fund is to provide loans to Members of the Scheme to purchase motor vehicles and residential houses as well as to develop, renovate or repair their residential property.

**b) Principal Activities**

The principal activity of the Fund is to advance Car Loans and Mortgage to Members of County Assembly and Staffs.

**Vision**

To be a fund of choice to the Members and Staff of County Assembly of Nakuru.

**Mission**

To provide affordable Car and Mortgage Loans to Members and Staff of County Assembly of Nakuru in a sustainable manner.

**Core Values**

The fund upholds the values of Equity, Integrity, Accountability and Accessibility.

**c) Board of Trustees/Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Jane Waweru	Chairperson
2	Stephen Gatimu	Deputy Clerk
3	Jane Wakanyi	Director Human Resources
4	Daniel Nduati	Assistant Director of Finance
5	Ann Kahunga	Legal council
6	Leonard Opiyo	Director Legislative Services
7	Racheal Cherutich	Director Committee Services
8	Lucy Mengich	Finance Officer

## d) Key Management team

Ref	Name	Position
1.	Jane N. Waweru	Ag. Clerk
2.	Stephen M. Gatimu	Deputy Clerk
3.	John K. Kwambai	Ag. Director Finance
4.	Irene W. Wamaru	Ag. Director H/Resource & Development
5.	Joseph K. Chege	Director Hansard and ICT
6.	Emmanuel Njuguna	Director Budget
7.	Leonard Opiyo	Director legislative, Legal, Research and Library Services
8.	Rachael J Cherotich	Director Committee Services
9.	John Waweru	Ag. Deputy Director Procurement

## e) Fiduciary Oversight Arrangements

The Internal Audit department reviews the Financial Statements for the Fund on an annual basis. The department is constituted of two staff members as listed in the table below:

Ref	Position	Name
1.	Director -Internal Audit	Samuel Munyeki Elizabeth Chepkoech
2.	Internal Audit Committee	Peter Kitur – Chairperson Leah Ng'ang'a – Member Dennis Kaluki- Member

## a) Public Accounts/Investment Committee

Member	Designation	Ward
Hon. Simon Kamau Karanja	Chairperson	Kihingo
Hon. Michael Njenga	V/Chairperson	Nominated
Hon. Ann Njaguara	Member	Nominated
Hon. Bethsheba Kerubo	Member	Nominated
Hon. Ben Kirui	Member	Barut
Hon. Irene Cheboi	Member	Nominated
Hon. Joseph Mwangi Muraya	Member	Viwandani
Hon. Keziah Okumu	Member	Nominated
Hon. Robert Langat	Member	Amalo
Hon. Neto Sakwa	Member	Kivumbini
Hon. Robert Rutto	Member	Kapkures

**County Assembly of Nakuru**  
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Hon. Samuel Ngarama	Member	Lanet/Umoja
Hon. James Gathuita Mwangi	Member	Dundori

**f) Registered Offices**

Ugatuza Plaza  
P.O. Box 907  
Nakuru – Eldoret Highway  
Nakuru, KENYA

**g) Fund Contacts**

Telephone : (254)051-2216472  
E-mail: [clerkassembly@nakurucounty.go.ke](mailto:clerkassembly@nakurucounty.go.ke)  
Website: [www.nakurucounty.org.ke](http://www.nakurucounty.org.ke)

**h) Fund Bankers**

Family Bank Ltd  
Family Bank Towers,  
Muindi Mbingu Street  
P.O. Box 7414-00200  
City Square  
Nairobi, Kenya

**i) Independent Auditors**






Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**j) Principal Legal Adviser**

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


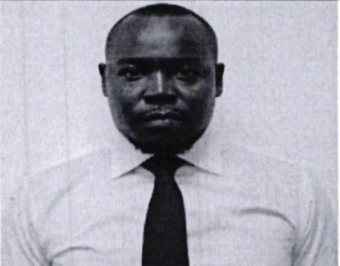

The County Attorney  
County Government of Nakuru  
P.O. Box 2870 - 20100  
Nakuru, Kenya

3. Management Team

	Name	Details of qualifications and experience
1	 <b>Jane N. Waweru</b>	Bachelor of Commerce, CPA (K). 23 years' experience. Ag. Clerk to County Assembly. She previously worked for NYAWASCO and Nakuru Municipal Council.
2	 <b>Stephen M. Gatimu</b>	MPA, Bachelor of Arts (BA). 13 years' Experience. Deputy Clerk
3	 <b>Emmanuel Njuguna</b>	Masters in Business Administration, Bachelor of Commerce, CPA(K), CSIA(K), SLDP. 14 years' experience. Director Budget
4	 <b>John K. Kwambai</b>	Masters in Business Administration, Bachelor of Commerce, CPA(K), and CPS. 11 years' experience. Ag. Director Finance
5	 <b>Irene W. Wamaru</b>	Master of Arts Communication, Bachelor of Arts (Media). 14 years' experience. Ag. Director Human Resource and Development.



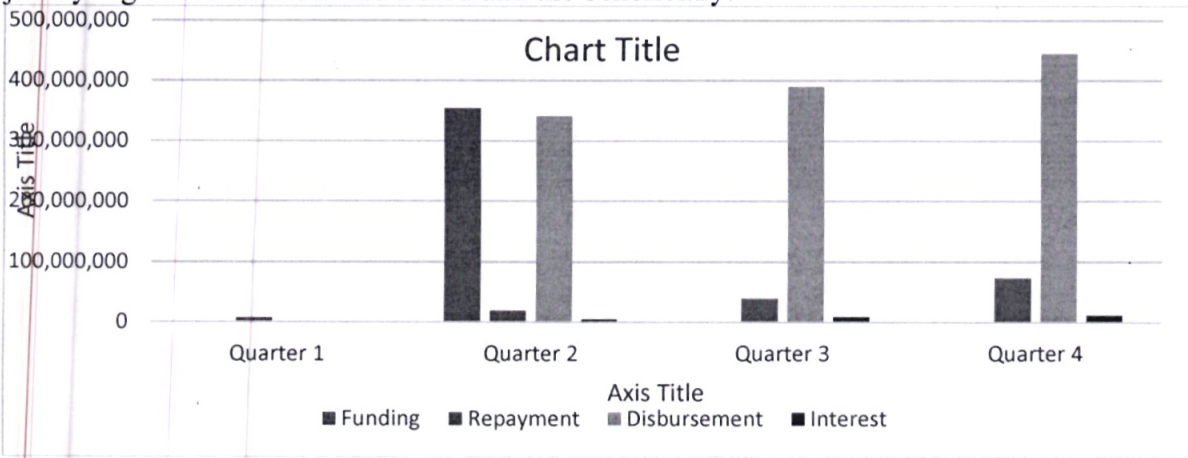
**County Assembly of Nakuru**  
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6	 <p><b>Joseph K. Chege</b></p>	<p>Bachelor of Arts (BA), Diploma in Mass Communication, 27 years' Experience. Director ICT and Hansard.</p>
7	 <p><b>Leonard Opiyo</b></p>	<p>Bachelor of Arts in Political Science and Public Administrations, Public Policy and Administration. 10 years' experience. Director legislative, Legal, Research and Library Services</p>
8	 <p><b>Rachael J. Cherotich</b></p>	<p>MBA in Strategic Management, Bachelor of Education (Maths/Economics), Higher Diploma (HRM). 15 years' Experience. Director Committee Services.</p>

**4. Report of The Fund Administrator**

The Financial Statements for County Assembly Members Car loan, Grant and Mortgage Scheme Fund for year ended 30th June 2023 were prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board of Kenya.


The County Assembly Service Board entered into an agreement with Family Bank Limited to run the day-to-day administration of the Fund on behalf of the Board. The Board keeps a closer supervision of the Bank and has to approve any amount being disbursed for adequate checks. All the loans being disbursed are secured and an insurance cover is there to cushion the Assembly just in-case of any eventuality. To further safeguard the funds, the properties are always charged and jointly registered between the Board and the beneficiary.



By end of the year, the Fund had received additional funding of Kshs 354 million. In addition, total loan disbursement by end of year that ended 30th June 2023 was KES 444,110,500. The disbursement was for both members of County Assembly and Members of Staff.

The principal loan repayment from beneficiaries decreased to Kshs 80 million from Kshs 113 million registered in the previous financial year 2021-2022. The decrease was as a result of clearance of loans issued to members of the second Assembly and new loans disbursed to members of the third Assembly and staff during the year.

I look forward to see the fund continually growing in years to come by improving and offering better services to its members.

Signed: 

**CPA. Jane Waweru**

**ICPAK Member No: 7941**

**Ag. Clerk to the County Assembly.**

**County Assembly of Nakuru**  
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**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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

The Fund has to a large extent achieved its intended purpose and objectives. To this extend, over 90% all the Members of County Assembly have accessed the facility on priority basis since their period in the Assembly is limited to the term they are in Office.

The Fund has also covered a bigger percentage of Members of Staff with preference to those with few years remaining in service. The Fund is yet to cover all the Staff Members and the County Assembly Service Board is endeavouring to allocate additional seed capital to the Fund to cover all the Members of Staff in future.

In the Financial Year 2022/2023, the fund’s objective was to make available Kshs 404 million through a budgetary allocation from the Assembly’s operational budget line but only managed Kshs 354 million. During the year, an amount of KES 444 million was advanced as loans to Members of County Assembly and Members of Staff.

**Introduction**

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

The key objective of the Fund is to provide affordable Car and Mortgage loans to Members of County Assembly and the Staff fraternity in a sustainable manner.

**Progress on attainment of key objective**

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Provision of Car loans and Mortgage facilities to all members of County Assembly and staff	To ensure all members and staff have access to the facilities	Number of car loans and mortgages successfully applied	% of members and staff taking Mortgage facilities	During FY 2022/2023 98% of Members of County Assembly accessed the facility to build and buy their own houses

## **6. Corporate Governance Statement**

The County Assembly of Nakuru Car Loan, Grant and Mortgage scheme fund was managed by the Loan Management Committee as stipulated in the Public Finance Management (Nakuru County Assembly Car Loan, Grant and Mortgage Scheme Fund) Regulations, 2022. They consist of;

- a) The clerk who shall be the chairperson
- b) The Deputy Clerk or his/her nominee
- c) The Director Finance or his/her nominee
- d) The Director Human Resource Management or his/her nominee
- e) The Legal Counsel who shall be the secretary

The committee held quarterly meeting while others were held on need basis to evaluate the progress of the fund. Being the first year of the third Assembly, the committee was extremely busy to achieve its target which amongst them was disbursement of loans to the members of the County assembly whose repayment period is restricted to their term in office.

The role of the committee is to;

- i) Supervise the day to day running of the fund,
- ii) Consider and approve loan applications presented by the person administering the fund,
- iii) Process applications for loans in accordance with the existing terms and conditions of borrowing,
- iv) Establish management guidelines and engage such staff as may be necessary to assist the committee and the officer administering the fund,
- v) Submit to the County Assembly Service Board quarterly reports on its undertaking,
- vi) Advise the County Assembly Service Board on the general management of the fund.

During the year under review, the committee approved and disbursed loans to members and staff totalling to Kshs 441 million. This was the highest disbursement since the establishment of the fund. In addition, the County Assembly Service Board approved an additional of seed capital of Kshs 404 million during the financial year 2022/2023. Although the amount was not honoured in full by the controller of budget, an addition funding of Kshs 354 million was added to the fund. Its worth noting that the fund was able to add to the revolving fund a surplus of Kshs 5.2 million during the year.

The County Assembly Service Board and the loan management committee members conducted themselves as per the provision of Section 8 of the Public Officer Ethics Act, 2003 in all undertakings done during the year.

**County Assembly of Nakuru**  
**Car Loan, Grant and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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Section 6(7) of the Public Finance Management (Nakuru County Assembly Car Loan, Grant and Mortgage Scheme Fund) Regulations, 2022 provides for payment of allowances and other expenses as may be approved from time to time. During the year, the committee approved for payment of allowances of the loan committee members totalling to 3.4 million and Kshs 4.5 million being fund administration expenses which were paid to the fund manager.

All members of the loan management committee and County Assembly Service board complied with the provisions of public officer ethics act 2003 in all their undertaking while managing the fund.

## **7. Management Discussion and Analysis**

During the year the performance of the fund was exemplary. The fund was able to earn 13.5 million being revenue from exchange transactions (Interest income) which translates to 54% increase from the previous year. This was necessitated by new loans disbursed to new members of the third Assembly in comparison with members of the second Assembly who were approaching the end of their term in office. Administration costs of the fund also went up from Kshs 4 million to Kshs 8.3 million. The fund reported a surplus of Kshs 5.2 million which was higher than what was reported in the previous year by close to half a million.

The fund's statement of changes in net asset for the year ended 30<sup>th</sup> June 2023 grew from Kshs 467 million in the previous year to Kshs 826 million. Additionally, the fund recorded the highest disbursed loans of Kshs 441 million in one year since its inception.

By close of the financial year, the Assembly had retained sh4.1m relating to valuation and legal fees charged to members for service rendered by lawyers in charging the title deeds as well as for valuation reports emanating from the same. The service providers had not raised invoices for payment of the service rendered.

## **8. Environmental and Sustainability Reporting**

### **i. Sustainability strategy and profile -**

Although the fund has achieved the major milestone in the financial year, which was to advance loans to members of the County assembly, a good number of staffs especially those with many years in service are yet to benefit from the scheme due to financial constraints.

### **ii. Environmental performance**

The fund has not developed environmental policy to guide the organisation in environmental matters. However, the Assembly has outsourced fund administrator in order to reduce on paper work and other associated menace as a way of reducing environmental impact on organisation's product.

### **iii. Employee welfare**

In running the fund, the Loan management committee which is mandated with day to day running of the fund draws its employees from the County Assembly establishment. Currently, the composition of the committee is compliant with the two third gender rule. The management has also outsourced the fund manager to

help in administering the same. The office is compliant with safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv. **Market place practices-**

The Assembly outsourced management services of the fund. The process was competitively done through National tender where the advert was done on the dailies. The process complied with all procurement requirements where M/s Family Bank was declared the winner of the tender.

**9. 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 Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund Regulations, 2021 shall prepare financial statements for the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund is responsible for the preparation and presentation of the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund financial statements, which give a true and fair view of the state of affairs of the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund for and as at the end of the year ended on 30th June 2023. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme 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 of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund accepts responsibility for the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund 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 The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund Regulations, 2021. The Fund Administrator is of the opinion that the of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund financial statements give a true and fair view of the state of Fund's transactions during the year ended 30th June 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the of The Nakuru County Assembly Car Loan, Grant (Members) and

**County Assembly of Nakuru**  
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**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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Mortgage Scheme Fund financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme 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**

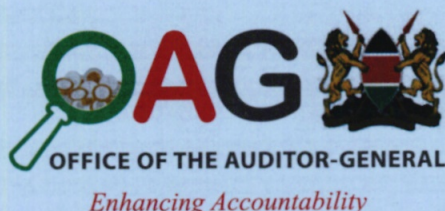
The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund's financial statements were approved by the Clerk of the County Assembly on 09/11/2023 and signed on its behalf by:



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**Ag. Clerk of the County Assembly**

# 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 NAKURU (MEMBERS) CAR LOAN, GRANT AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **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 the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of County Assembly of Nakuru (Members) Car Loan, Grant and & Mortgage Scheme Fund set out on pages 1 to 27 which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended

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*Report of the Auditor-General on County Assembly of Nakuru (Members) Car Loan, Grant and Mortgage Scheme Fund for the year ended 30 June, 2023*



and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Assembly of Nakuru (Members) Car Loan, Grant and Mortgage Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Nakuru County Assembly Car Loan, Grants and Mortgage Scheme Fund) Regulations 2021.

### **Basis for Qualified Opinion**

#### **1. Unsupported and Irregular General Expenses**

The statement of financial performance reflects general expenses of Kshs.3,442,200 as disclosed in Note 7 to the financial statements. The expenditure comprised of sitting allowances of Ksh.2,450,000 and valuation and legal fees of Kshs.992,200. However, the sitting allowance schedule in support of the expenditure provided for audit was lacking the following details; date of meeting, members who attended the meeting and the applicable rate for the allowances. Further, the valuation and legal costs paid were met by the Fund instead of the beneficiary.

In the circumstances, the propriety of general expenses amounting to Kshs.3,442,200 could not be confirmed.

#### **2. Inadequate Disclosures of Prepayments**

The statement of financial position reflects prepayments balance of Kshs.4,101,500 as disclosed in Note 11 to the financial statements. The prepayment is in respect to valuation and legal fees. However, the supporting schedule to the balance provided for audit does not indicate the value of property to be purchased, valuation cost, invoice number and amount, amount paid, balance and receipt number. Further, the prepayment does not have a corresponding liability account in the financial statement.

In the circumstances, the accuracy and disclosure of the prepayments balance of Kshs.4,101,500 could not be confirmed.

#### **3. Discrepancies between Financial Statements and Supporting Schedules**

The statement of financial position reflects current and long-term portions of long-term receivables from exchange transactions balances of Kshs.106,820,295 and Kshs.516,676,291 respectively. However, the schedules provided in support for audit reflected other amounts as detailed below;

<b>Particulars</b>	<b>Opening Balance (Kshs.)</b>	<b>Loan Disbursements (Kshs.)</b>	<b>Loan Repayments (Kshs.)</b>	<b>Closing Balance (Kshs.)</b>
Current Portion	25,602,833	52,865,590	78,044,005	1,322
Long Term Portion	234,362,201	444,110,500	53,349,890	625,122,890
<b>Total</b>	<b>259,965,034</b>	<b>496,976,090</b>	<b>131,393,895</b>	<b>625,124,212</b>
Statement of Cash Flow	-	444,110,500	80,578,946	-
Statement of Financial Position	259,965,034	-	-	623,496,586
<b>Variance</b>	<b>0</b>	<b>52,865,590</b>	<b>50,814,949</b>	<b>(1,627,626)</b>

In the circumstance, the accuracy and completeness of current and long-term portion of receivables from exchange transactions balances of Kshs.106,820,295 and Kshs.516,676,291 respectively could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, various issues were raised and they have remained unresolved. Management has not provided reasons for the delay in resolving the prior year audit issues. This is contrary to the provisions of the Public Sector Accounting Standards Board reporting templates and the National Treasury's Circular Ref: AG.4/16/3 Vol.II (66) dated July, 2022.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Unapproved Budget**

The statement of comparison of budget and actual amounts reflects the Fund budget of Kshs.379,700,833 for the year ended 30 June, 2023. However, the approved budget and the relevant minutes were not provided for audit contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Government entities shall execute their approved budgets based on annual appropriation legislation and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund or supplementary estimates.

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

## **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, 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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Management and those Charged with Governance**

The 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 controls as the 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, the 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 the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's, financial reporting process, reviewing the effectiveness of how 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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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



**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

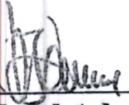
**20 December, 2023**


County Assembly of Nakuru  
 Car Loan, Grant and Mortgage Scheme Fund  
 Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023

**11. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

	Note	FY 2022/2023	FY 2021/2022
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	13,574,854	8,813,761
Other income	5		
<b>Total revenue</b>		<b>13,574,854</b>	<b>8,813,761</b>
<b>Expenses</b>			
Fund administration expenses	6	4,524,951	2,937,920
General Expenses	7	3,442,200	-
Finance costs	8	403,369	409,161
<b>Total expenses</b>		<b>8,370,520</b>	<b>3,347,081</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/(deficit) for the period</b>		<b>5,204,333</b>	<b>5,466,680</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nakuru County Assembly (Members) Car Loan, Grant and Mortgage Scheme Fund's financial statements were approved on 09/11/2023 and signed by:

  
 Fund Administrator  
 CPA. Jane N. Waweru.  
 ICPAK Member No: 7941

  
 Ag. Director of Finance  
 John Kwambai  
 ICPAK Member No: 9579

County Assembly of Nakuru  
 Car Loan, Grant and Mortgage Scheme Fund  
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12. Statement of Financial Position As at 30 June 2023

DESCRIPTION	Note	FY 2022/2023 KShs	FY 2021/2022 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	198,625,764	207,054,484
Current portion of long-term receivables from exchange transactions	10	106,820,295	25,602,833
Prepayments	11	4,101,500	-
Inventories		-	-
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions	10	516,676,291	234,362,201
<b>Total assets</b>		<b>826,223,850</b>	<b>467,019,518</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>826,223,850</b>	<b>467,019,518</b>

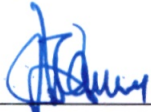


**County Assembly of Nakuru**  
**Car Loan, Grant and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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Revolving Fund		776,153,529	422,153,529
Reserves		-	-
Accumulated surplus		50,070,321	44,865,989
<b>Total net assets and liabilities</b>		<b>826,223,850</b>	<b>467,019,518</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nakuru County Assembly (Members) Car Loan, Grant and Mortgage Scheme Fund's financial statements were approved on 09/11/2023 and signed by:



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**Fund Administrator**  
**CPA. Jane N. Waweru.**  
**ICPAK Member No: 7941**



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**Ag. Director of Finance**  
**John Kwambai**  
**ICPAK Member No: 9579**

County Assembly of Nakuru

Car Loan, Grant and Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023

13. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023

DESCRIPTION	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2021</b>	<b>331,186,439</b>	-	<b>39,399,308</b>	<b>370,585,747</b>
Surplus/(deficit) for the period		-	5,466,680	<b>5,466,680</b>
Funds received during the year	110,000,000	-		<b>110,000,000</b>
Revaluation gain	(19,032,910)	-	-	<b>19,032,910</b>
<b>Balance as at 30 June 2022</b>	<b>422,153,529</b>	-	<b>44,865,988</b>	<b>467,019,517</b>
				-
<b>Balance as at 1 July 2022</b>	<b>422,153,529</b>	-	<b>44,865,988</b>	<b>467,019,517</b>
Surplus/(deficit) for the period		-	5,204,333	<b>5,204,333</b>
Funds received during the year	354,000,000	-		<b>354,000,000</b>
Revaluation gain/Loss (Car Grant)		-	-	-
<b>Balance as at 30 June 2023</b>	<b>776,153,529</b>	-	<b>50,070,321</b>	<b>826,223,850</b>

**County Assembly of Nakuru**  
**Car Loan, Grant and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023**

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

<b>Description</b>	<b>Note</b>	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
		<b>KShs</b>	<b>KShs</b>
<b>Cash flows from operating activities</b>			
Receipts			
Public contributions and donations			-
Transfers from the County Government		354,000,000	110,000,000
Interest received		13,574,854	11,924,330
Receipts from other operating activities			-
<b>Total Receipts</b>		<b>367,574,854</b>	<b>121,924,330</b>
Payments			
Fund administration expenses		(4,524,951)	
General expenses		(3,442,200)	-
Finance cost		(403,369)	(1,149,622)
<b>Total Payments</b>		<b>(8,370,520)</b>	<b>(1,149,622)</b>
<b>Adjusted for:</b>			
Decrease/(Increase) in accounts receivable: (Car Loan converted to Car grant)			(19,032,910)
Decrease/(Increase) in accounts receivable - Refunds		-	<b>(1,093,072)</b>
Increase/(Decrease) in Accounts Payable:	22	<b>(4,101,500)</b>	-
<b>Total</b>		<b>355,102,833</b>	<b>100,648,726</b>
<b>Net cash flows from operating activities</b>	21		
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		80,578,946	113,337,488
Loan disbursements paid out		(444,110,500)	(16,700,000)
<b>Net cash flows used in investing activities</b>		<b>(363,531,554)</b>	<b>96,637,488</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings			-

County Assembly of Nakuru  
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Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(8,428,721)	197,286,214
Cash and cash equivalents at 1 JULY	11	207,054,484	9,768,270
Cash and cash equivalents at 30th June	11	198,625,763	207,054,484

County Assembly of Nakuru  
 Car Loan, Grant and Mortgage Scheme Fund  
 Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023

15. Statement Of Comparison of Budget and Actual Amounts for The Year ended 30<sup>th</sup> June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	369,080,833.00		369,080,833.00	354,000,000	15,080,833	96%
Interest income	10,620,000	-	10,620,000	13,574,854	(2,954,854)	128%
Other income	-	-	-	-	-	
<b>Total income</b>	<b>379,700,833.00</b>	<b>-</b>	<b>379,700,833.00</b>	<b>367,574,854</b>	<b>12,125,979</b>	<b>97%</b>
<b>Expenses</b>						
Capital transfer	369,080,833.00		369,080,833.00	354,000,000	15,080,833	96%
Fund administration expenses	4,700,000	-	4,700,000	4,524,951	175,049	96%
General expenses	5,420,000	-	5,420,000	3,442,200	1,977,800	64%
Finance cost	500,000	-	500,000	403,369	96,631	81%
<b>Total expenditure</b>	<b>379,700,833</b>	<b>-</b>	<b>379,700,833</b>	<b>362,370,520</b>	<b>17,330,313</b>	<b>95%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,204,334</b>	<b>(5,204,334)</b>	

**Budget notes**

- *The underutilization of budget below 90% was necessitated by the transition of old and new members of County Assembly.*
- *There was an amount of KES 15,080,833.00 received that was received after the closure of the financial period being an amount of capital transfer.*

**County Assembly of Nakuru  
Car Loan, Grant and Mortgage Fund  
Annual Report and Financial Statements for the Year Ended June 30, 2023**

**16. Notes to the Financial Statements**

**1. General Information**

County Assembly of Nakuru Car Loan, Grant and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012. The fund is wholly owned by the Nakuru County Government and is domiciled in Kenya. The funds' principal activity is to advance Car Loans and Mortgages to Members of the County Assembly and staff.

**2. Statement of compliance and basis of preparation**

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

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

**3. Adoption of new and revised standards**

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

Standard	Effective date and impact
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the</li> </ul>

**County Assembly of Nakuru  
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Standard	Effective date and impact
	<p>asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**County Assembly of Nakuru  
Car Loan, Grant and Mortgage Fund  
Annual Report and Financial Statements for the Year Ended June 30, 2023**

Standard	Effective date and impact
	<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><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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

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



**County Assembly of Nakuru  
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Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The County Assembly of Nakuru did not early – adopt any new or amended standards in the financial year 2022-2023.

**1. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for Financial Year 2022- 2023 was approved by the County Assembly on 7<sup>th</sup> June, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Fund'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.

**County Assembly of Nakuru  
Car Loan, Grant and Mortgage Fund  
Annual Report and Financial Statements for the Year Ended June 30, 2023**

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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 18 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) Investment property**

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

**f) Financial instruments**

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

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**County Assembly of Nakuru  
Car Loan, Grant and Mortgage Fund  
Annual Report and Financial Statements for the Year Ended June 30, 2023**

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**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

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**Financial liabilities**

**Classification**

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

**g) Inventories**

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**h) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**i) Social Benefits**

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

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***Summary of Significant Accounting Policies (Continued)***

**j) Contingent liabilities**

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

**Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits – Retirement benefit plans**

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

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

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**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

The Fund 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 Clerk, Senior Managers, committee members and Members of County Assembly.

**q) Cash and cash equivalents**

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

**r) Comparative figures**

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



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***Summary of Significant Accounting Policies (Continued)***

**5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made e.g.

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions are recognized when The Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund 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 Nakuru County Assembly Car Loan, Grant (Members) and Mortgage Scheme Fund expects some or all of a provision to be reimbursed, for example, under an insurance

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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.

County Assembly of Nakuru  
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 Annual Report and Financial Statements for the Year Ended June 30, 2023

6. Notes to The Financial Statements

1. Public contributions and donations

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Donation From Development Partners	-	-
Contributions from The Public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

2. Transfers from County Government

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Transfers to Car Loan and mortgage	354,000,000	110,000,000
Payments by County on behalf of the entity		-
<b>Total</b>	<b>354,000,000</b>	<b>110,000,000</b>

Note: The amount of KES 354million is a capital item and it will only appear in the Statement of Changes in Net Assets.

3. Fines, penalties and other levies

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

4. Interest income

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Interest income from loans (mortgage or car loans)	13,574,854	8,813,761
<b>Total interest income</b>	<b>13,574,854</b>	<b>8,813,761</b>

County Assembly of Nakuru  
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Notes to the Financial Statements Continued

5. Other income

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	-	-

6. Fund Administration Expenses

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Professional fees	4,524,951	2,937,920
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	<b>4,524,951</b>	<b>2,937,920</b>

7. Use of Goods and Services

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Committee Allowances	2,450,000.00	-
Valuation and Legal fees	992,200.00	-
Electricity and Water charges	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-

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Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Bank Charges and ledger fees	-	-
<b>Total</b>	<b>3,442,200.00</b>	<b>-</b>

**8. Finance costs**

<b>Description</b>	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
	<b>KShs</b>	<b>KShs</b>
Bank Charges and Ledger fees for the year	403,369	409,161
Add: Accrued ledger fees		740,461
<b>Total</b>	<b>403,369</b>	<b>1,149,622</b>

**9. Cash and cash equivalents**

<b>Description</b>	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
	<b>KShs</b>	<b>KShs</b>
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Main Fund Account	170,522,619	190,414,692
Interest Account	17,755,646	11,910,833
Remittance Account	10,347,498	4,728,959
	-	-
<b>Total cash and cash equivalents</b>	<b>198,625,764</b>	<b>207,054,484</b>

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Notes to the Financial Statements Continued

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

Financial Institution	Account number	FY 2022/2023	FY 2021/2022
		KShs	KShs
<b>a) Current Account</b>			
Family Bank Main Account	18000055807	170,522,619	190,414,692
Interest Account	18000067410	17,755,646	11,910,833
Loan Remittance Account	18000073217	10,347,498	4,728,959
<b>Sub- total</b>		<b>198,625,764</b>	<b>207,054,484</b>
<b>Grand total</b>		<b>198,625,764</b>	<b>207,054,484</b>

10. Receivables from exchange transactions

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable		423,097
Current loan repayments due	106,820,295	25,179,736
Other exchange debtors		-
Less: impairment allowance		-
<b>Total Current receivables</b>	<b>106,820,295</b>	<b>25,602,833</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	516,676,292	234,362,201
<b>Total Non-current receivables</b>	<b>516,676,292</b>	<b>234,362,201</b>
<b>Total receivables from exchange transactions</b>	<b>623,496,587</b>	<b>259,965,034</b>

Additional disclosure on interest receivable

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	-	-

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Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

**Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July (Previous FY)</b>					
Additions					
Disposals					
Transfers/Adjustments					
<b>At 30<sup>th</sup> June (Previous FY)</b>					
<b>At 1<sup>st</sup> July (Current FY)</b>					
Additions					
Disposals					
Transfer/Adjustments					
<b>At 30<sup>th</sup> June (Current FY)</b>					
<b>Depreciation And Impairment</b>					
<b>At 1<sup>st</sup> July (Previous FY)</b>					
Depreciation					
Impairment					
<b>At 30<sup>th</sup> June (Previous FY)</b>					
<b>At 1<sup>st</sup> July (Current FY)</b>					
Depreciation					
Disposals					
Impairment					
Transfer/Adjustment					
<b>At 30<sup>th</sup> June (Current FY)</b>					
<b>Net Book Values</b>					
<b>At 30<sup>th</sup> June (Previous FY)</b>					
<b>At 30<sup>th</sup> June (Current FY)</b>					

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 Car Loan, Grant and Mortgage Fund  
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Notes To The Financial Statements (Continued)

11. Prepayments

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Prepayments- Legal and valuation fees	4,101,500.00	
Refundable deposits	-	-
Accrued expenses-Professional Costs	-	-
Other payables	-	-
<b>Total Prepayments</b>	<b>4,101,500.00</b>	-

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

12. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracy in the Financial statement	The inaccuracy was corrected.	Resolved	
2.	Unconfirmed interest income	Schedule showing opening balance, loan movements and the rate of interest applied has been prepared.	Resolved	
3.	Unsupported fund administration expenses	Relevant documents supporting the professional fees paid to the fund manager are now in place.	Resolved	
4.	Unconfirmed current portion of long-term receivables from exchange	Computation of current portion of longterm receivables from exchange transactions not resolved. Supporting	Ongoing	



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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	transactions balances.	schedules have been corrected.		
5.	Unconfirmed long-term receivables from exchange transaction balance	Worksheet showing opening, additions, repayment and closing balance has been prepared.	Resolved.	
6.	Unconfirmed revaluation loss on car grant balances.	A schedule showing members affected and amounts in respected of each was prepared.	Resolved.	
1.	Lack of approved budget	A budget for the subsequent financial year 2022/23 was prepared and approved by the County Assembly Service Board.	Resolved.	
2.	Loans disbursed without mandatory documentation.	The loan disbursed had had relevant supporting documents such as house designs, official search, bill of quantities, ownership documents amongst others.	Resolved	

CPA. Jane Waweru

Ag. Clerk to County Assembly

Date 09/11/2023