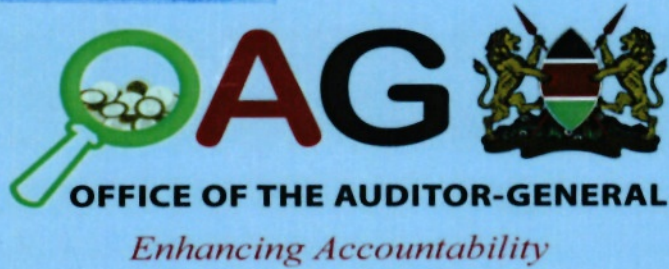


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REPORT

OF

THE AUDITOR-GENERAL

PAPERS LAID	
DATE	05/10/2022
TABLED BY	Senate Majority Leader
COMMITTEE	—
COMMITTEE CHAIRPERSON	Angela Madaria

ON

**NYANDARUA COUNTY ASSEMBLY MCAs
CAR LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2019**





REPUBLIC OF KENYA
NYANDARUA COUNTY ASSEMBLY



OFFICE OF THE CLERK

Office Tel: 020-2195542; Mobile: 0706-116880
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NYANDARUA COUNTY ASSEMBLY
MCAs CAR LOAN AND MORTGAGE FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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



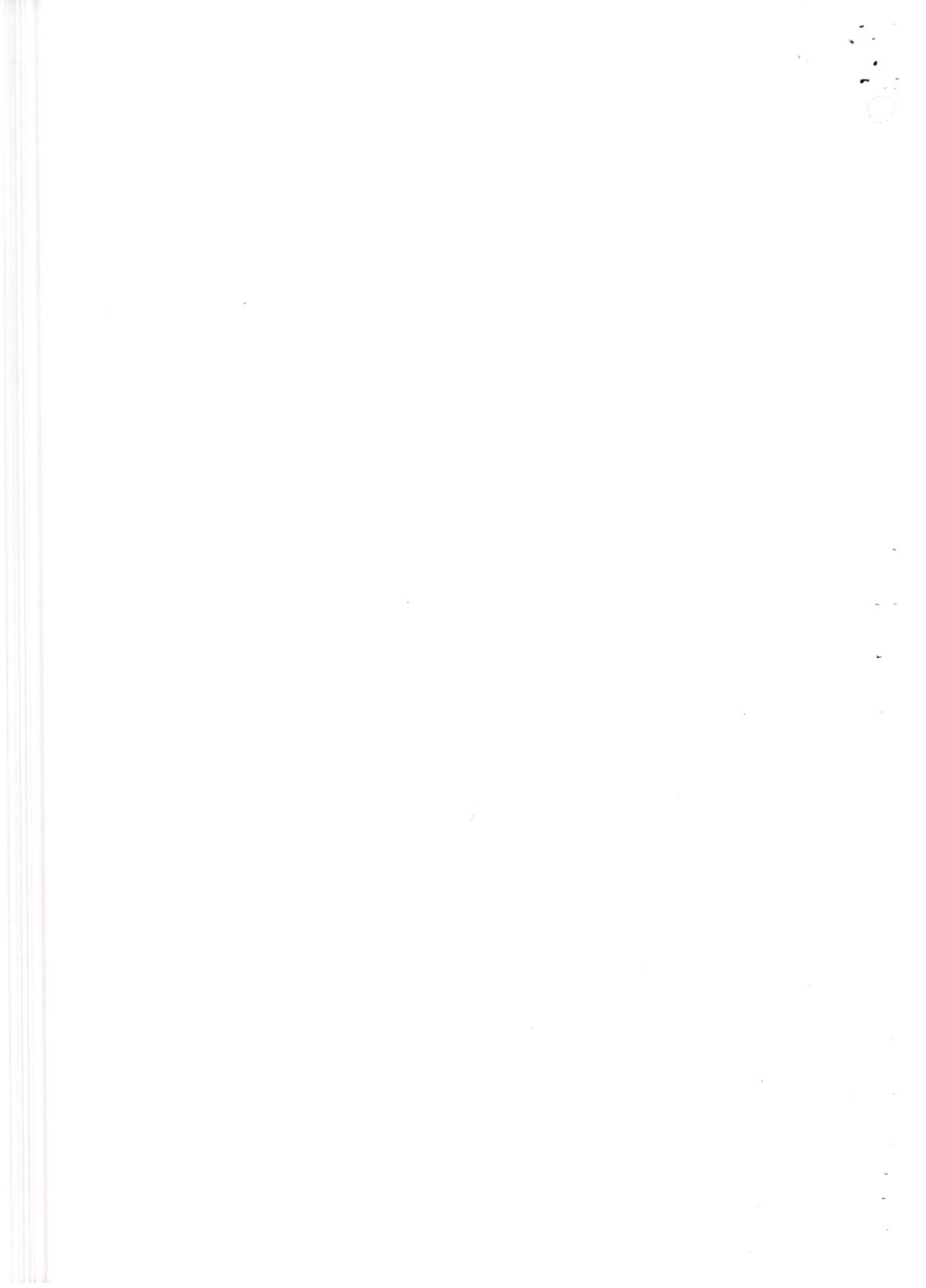


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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Nyandarua County Assembly MCAs Car loan and Mortgage Fund was incorporated/ established under the PFM Act on 30th April 2014 and it's regulated by Nyandarua County Assembly Car loan and Mortgage regulations and Salaries and Remuneration Commission circulars .The Fund is wholly owned by the County Assembly of Nyandarua and is domiciled in Kenya.

b) Principal Activities

The principal activities of Nyandarua County Assembly Fund is to grant car loans and Mortgages to the Members of the County Assembly elected the County Assembly of Nyandarua at a rate prescribed by the Salaries and Remuneration commission

c) Board of Trustees/Fund Administration Committee

Nyandarua County Assembly MCAs Car loan and Mortgage fund is administered by a committee car loan and Mortgage fund committee. The key management personnel who compose the membership of the committee and who held office during the financial year ended 30th June 2019 were:

No.	Designation	Name
1.	Speaker /Chairman	James Ndegwa Wahome
2.	Fund administrator	Stephen Muriithi Wairimu
3.	Member	John Kieru Wambui
4.	Member	Kariuki Muchiri
5.	Member	David Munyeki
6.	Member	Nancy Mercy Njoki

d) Registered Offices

P.O. Box 720-20303
Assembly Chambers Building
Olkalou- Nairobi Highway
Olkalou, Kenya

e) Fund Contacts

Telephone: (254)706116880
E-mail: clerk@assembly.nyandarua.go.ke
Website: www.nyandaruaassembly.go.ke

f) Fund Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

Equity Bank Limited

Olkalou Branch

P.O. Box 215-20303

Olkalou-Kenya

g) Independent Auditors

Office of the Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. BOARD/FUND CHAIRPERSON'S REPORT

The Nyandarua County Assembly MCAs Car Loan & Mortgage Fund was established through approval of the County Assembly, under Regulations 2015 and accordance with Public Finance Management Act, 2012.

The Nyandarua County Assembly MCAs Car Loan and Mortgage Fund initial capital consisted of the monies appropriated by the County Assembly in the FY 2013/14 amounting to Kshs 131 Million to operate as a revolving fund with annual increase from the Assembly's budget based on anticipated credit needs projections, funds available as well as repayments from the beneficiaries. In the FY 2014/2015, the fund grew with a further Ksh 74,000,000 and a further Ksh 5,000,000 in the FY 2015/2016 totalling to Ksh 210,000,000 in the revolving fund.

In the year under review, Nyandarua County Assembly MCAs Car Loan and Mortgage Fund reported disbursements amounting to Ksh 42,390,000 as at June 2019 yielding to a total loan disbursement of Ksh 183,190,000



Hon James Wahome Ndegwa

The Chairman

Nyandarua County Assembly MCAs Car Loan and Mortgage Fund

3. REPORT OF THE FUND ADMINISTRATOR

In the FY 2018/2019, there was no further funding which was received as an appropriation from the annual budget of Nyandarua County Assembly. The fund therefore opened with a balance of Ksh 210,000,000. In the Financial year, the Management disbursed new loans valued at Kshs 42.39 Million as compared to the 140.8 Million disbursements in the previous year representing a negative 98.41% growth, with 39 members benefiting as at 30th June 2019.

Principal loan repayment from beneficiaries amounted to Kshs 39.491 Million, a rise from Kshs 12.531 Million received in the FY 2017/2018. At the close of the year, the Fund had outstanding loans valued at Kshs 131.169 Million as outstanding loan and Kshs 78.831 Million cash balance.

Finally, we are confident the Fund will sustain the impressive performance to the future which is prerequisite in meeting its goals and objectives of providing affordable loan products to the staff.

Signed: _____



Stephen Muriithi Wairimu

Fund Administrator.

4. MANAGEMENT DISCUSSION AND ANALYSIS

In the year the Fund portfolio increased from Ksh 142.1 Million to Ksh 154.7 Million representing 8.87 % growth rate. In terms of numbers, seven new loans were disbursed as compared to thirty two disbursed in the FY 2017/2018.

In the year the Fund did not receive any funds from the Exchequer while the entire amount in the Nyandarua County Assembly MCAs Car loan and Mortgage Fund was disbursed to members on need basis. Interest Income earned from loans increased from Ksh 1,939,470.41 in the FY 2017/2018 to Ksh 4,742,225.12 in the FY 2018/2019. In conclusion the Fund has shown steady growth in net worth from Kshs 131 Million in the first year of operation to Kshs 210 Million in the year under review.

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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Clerk of the County assembly who is the administrator of the Nyandarua Staff Car Loan and Mortgage 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, 2019. 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 Nyandarua Staff Car Loan and Mortgage 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. The Administrator 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, 2019, 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 Nyandarua Staff Car Loan and Mortgage 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 30/09/2019 2019 and signed on its behalf by:



Administrator of the County Assembly MCAs Car Loan and Mortgage 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 NYANDARUA COUNTY ASSEMBLY MCAs CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Nyandarua County Assembly MCAs Car Loan and Mortgage Fund set out on pages 9 to 28, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Comparative Balances

The comparative balances in the financial statements are at variances with those of the audited financial statements as detailed out below: -

No	Component	Comparative Balances (Kshs.)	Audited Balances (Kshs.)	Variance (Kshs.)
1	Interest Income	1,939,470	1,767,090	172,380
2	Fund administration expenses	1,939,470	1,767,090	172,380
3	Cash and cash equivalents	81,730,563	81,239,630	490,933
4	Long term receivables from exchange transactions	128,269,437	128,670,370	(400,933)

No disclosures have been made in the financial statements to explain the adjustments contrary to the requirements of International Public Sector Accounting Standard.

Consequently, the accuracy and completeness of these financial statements as prepared and presented could not be confirmed.

2. Interest Income

The statement of financial performance reflects interest income of Kshs.4,742,225;(2018-Kshs.1,939,470) and as disclosed under Note 1 to the financial statements. Included in this amount is interest earned from balances held in the savings and fixed deposit accounts which are unsupported.

Consequently, the accuracy and completeness of the reported interest income of Kshs.4,742,225 for the year ended 30 June, 2019 could not be confirmed.

3. Fund Administration Expenses

The statement of financial performance also reflects fund administration expenses of Kshs.4,742,225;(2018-Kshs.1,939,470) but undisclosed. The expenditure is however unsupported by way of schedules detailing out its nature and amounts. Further, the Fund administrative expenses of Kshs.4,742,225 covered 100% of the approved budget contrary to Section 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which limits the administration costs of the fund to a maximum of three (3) percent of the approved budget of the Fund.

Consequently, the accuracy and occurrence of the fund administration expenses of Kshs.4,742,225 for the year ended 30 June, 2019 could not be confirmed. In addition, the Fund is in breach of the law.

4. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.78,831,395;(2018-Kshs.81,730,563) and as disclosed under Note 3 to the financial statements. However, the balance is unsupported by way of cashbook, bank reconciliation statements or bank confirmation certificates.

Consequently, the accuracy and fair statement of the reported cash and cash equivalents balance of Kshs.78,831,395 as at 30 June, 2019 could not be confirmed.

5. Long Term Receivables from Exchange Transactions

The statement of financial position also reflects long term receivables from exchange transactions of Kshs.131,168,605;(2018-Kshs.128,269,437) and as disclosed under Note 4 to the financial statements. However, contrary to the requirements of International Public Sector Accounting Standard No.1 on presentation of financial statements that requires the receivables amount to be split to into the current portion and long-term portion, this has not been complied with.

Consequently, the financial statements as prepared and presented are not IPSAS compliant.

6. Risk Management Strategy

The Fund does not have a risk management strategy in place contrary to Section 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. Failure to develop a risk management strategy may impair the effectiveness of the Board in managing a robust business operation of the Fund.

To the extend, the Fund is in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Nyandarua County Assembly MCAs Car Loan and Mortgage Fund financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the Fund 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and

Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the Nyandarua County Assembly MCAs Car Loan and Mortgage Fund 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 February, 2022

6. FINANCIAL STATEMENTS

6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
 30th JUNE 2019

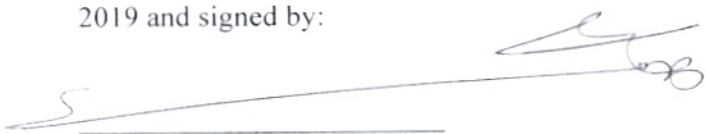
	No.	2018/2019	2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies		-	-
Revenue from exchange transactions			
Interest income	1	4,742,225.12	1,939,470.41
Other income		-	-
Total revenue		4,742,225.12	1,939,470.41
Expenses			
Fund administration expenses		4,742,225.12	1,939,470.41
Staff Costs			
General expenses – Bursary awards		-	-
Finance costs/bank Charges			
Total expenses		4,742,225.12	1,939,470.41
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		-	-


Nyandarua County Assembly MCAs Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2019

6.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019 KShs.	FY2017/2018 KShs.
Assets			
Current assets			
Cash and cash equivalents	3	78,831,394.76	81,730,563.39
Current portion of long term receivables from exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
Non-current assets			
Property, plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions	4	131,168,605.24	128,269,436.61
Total assets		210,000,000.00	210,000,000.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings			
Employee benefit obligations		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities			
Net assets			
Revolving Fund		210,000,000	210,000,000
Reserves		-	-
Accumulated surplus			
Total net assets and liabilities		210,000,000	210,000,000

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 30/09 2019 and signed by:


 Administrator of the Fund
 Stephen Muriithi Wairimu


 Fund Accountant
 Dominic Chege Wacera
 ICPAK Member Number: 15593

Nyandarua County Assembly MCAs Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2019

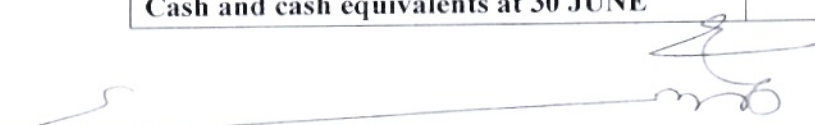
6.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

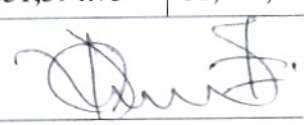
	Resolving Fund	Revaluation Reserve	Accumulated surplus	
	KShs	KShs	KShs	KShs
Balance as at 1 July 2016	210,000,000	-	-	210,000,000
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year		-	-	
Revaluation gain	-	-	-	-
Balance as at 30 June 2017	210,000,000	-		210,000,000
Balance as at 1 July 2017	210,000,000	-		210,000,000
Surplus/(deficit) for the period	-	-		-
Funds received during the year		-	-	
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	210,000,000	-		210,000,000
Balance as at 1 July 2018	210,000,000	-		210,000,000
Surplus/(deficit) for the period	-	-		-
Funds received during the year		-	-	
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	210,000,000	-		210,000,000

Nyandarua County Assembly MCAs Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2019

6.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	210,000,000.00
Interest received		4,742,225.12	1,939,470.41
Receipts from other operating activities		-	-
Total Receipts		4,742,225.12	211,939,470.41
Payments			
Fund administration expenses		4,742,225.12	1,939,470.41
General expenses			
Finance cost			
Total Payments		4,742,225.12	1,939,470.41
Net cash flows from operating activities		-0.00	210,000,000.00
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		39,490,831.37	12,530,563.39
Loan disbursements paid out		-42,390,000.00	-140,800,000.00
Net cash flows used in investing activities		-2,889,168.63	-128,269,436.61
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-2,899,168.63	81,730,563.38
Cash and cash equivalents at 1 JULY		81,239,670.07	-
Cash and cash equivalents at 30 JUNE		78,831,394.75	81,239,670.07


 Administrator of the Fund
 Stephen Muriithi wairimu


 Fund Accountant
 Dominic Chege Wacera
 ICPAK Member Number: 15593

Nyandarua County Assembly MCAs Car Loan And Mortgage Fund
Reports and Financial Statements
For the year ended June 30, 2019

**6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
 FOR THE PERIOD ENDED 30th JUNE 2019**

	Original budget	Final budget	Actual m. comparable 2019	Performance difference	Variance 2019
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	
Transfers from County Govt.	-	-	-	-	
Interest income	4,742,225.12	4,742,225.12	4,742,225.12	-	100%
	-	-	-	-	
Total income	4,742,225.12	4,742,225.12	4,742,225.12	-	100%
Expenses					
Fund administration expenses	4,742,225.12	4,742,225.12	4,742,225.12	-	100%
Staff costs	-	-	-	-	
General expenses	-	-	-	-	
Finance cost				-	
Total expenditure	4,742,225.12	4,742,225.12	4,742,225.12	-	100%
Surplus for the period	-	-	-	-	

 Administrator of the Fund
 Stephen Muriithi Wairimu

 Fund Accountant
 Dominic Chege Wacera
 ICPAK Member Number: 15593

6.6. 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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

b) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

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 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The 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.

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.

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 labor 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.

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. There were no reserves held for the fund as at 30th June 2019

11. 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.

12. 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 employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

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.

16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by PFM Act 2012. Its ultimate parent is the County Government of Nyandarua.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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 Notes

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company'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 2019				
Receivables from exchange transactions	-			
Receivables from non exchange transactions	131,168,605.24	131,168,605.24		
Bank balances	78,831,394.76	78,831,394.76		
Total	210,000,000.00	210,000,000.00		
At 30 June 2018				
Receivables from exchange transactions	-			
Receivables from non exchange transactions	128,269,436.61	128,269,436.61		
Bank balances	81,730,563.39	81,730,563.39		
Total	210,000,000.00	210,000,000.00		

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Market risk

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

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

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

There has been no change to 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 (investments, cash ,debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

The Fund manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	10%		
USD	10%		
2018			
Euro	10%		
USD	10%		

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 company'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.

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	2018
	KShs	KShs
Revaluation reserve		
Revolving fund	210,000,000	210,000,000
Accumulated surplus	-	-
Total funds	210,000,000	210,000,000
Total borrowings		
Less: cash and bank balances	78,831,394.76	81,730,563.39
Net debt/(excess cash and cash equivalents)	131,168,605.24	128,269,436.61
Gearing	1.664%	1.5694%

6.7. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans	4,742,225.12	1,939,470.41
Total interest income	4,742,225.12	1,939,470.41

2. Finance costs

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Bank Charges		
Total		

3. Cash and cash equivalents

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Fixed deposits account		
On – call deposits		
Current account	78,831,394.75	81,730,563.38
Others		
Total cash and cash equivalents	78,831,394.75	81,730,563.38

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Receivables from exchange transactions

Description	FY 2018/2019	
	KSh	KSh
Non Current receivables		
Long term loan repayments due	131,168,605.24	128,269,436.61
Total Non current receivables	131,168,605.24	128,269,436.61
Total receivables from exchange transactions	131,168,605.24	128,269,436.61



	Customer Name	PRINCIPAL LOAN	INTEREST	PRINCIPAL REPAYMENT	PRINCIPAL BALANCE
1	Kariuki Muchiri	5,000,000.00	120,515.57	1,134,264.23	3,402,792.70
2	James Kiiru Gachomba	4,800,000.00	115,153.43	1,109,912.54	3,237,244.90
3	Suleiman Kimani Kihika	4,600,000.00	109,948.05	1,059,740.26	3,090,909.09
4	John Kieru Wambui	5,000,000.00	123,113.21	1,132,075.47	3,490,566.04
5	Simon Sambigi Mukuriah	5,000,000.00	120,087.04	1,138,491.30	3,606,963.25
6	Ndegwa Wahome James	17,000,000.00	331,446.09	3,304,862.58	13,186,046.51
7	Samwel Rimui Kaiyani	5,000,000.00	120,515.57	1,134,264.23	3,402,792.70
8	Justus Gaita Wagura	3,000,000.00	69,545.45	654,545.45	1,963,636.36
9	John mburu githinji	5,000,000.00	121,586.27	1,144,341.37	3,433,024.12
10	Zachary Mwangi Njeru	4,800,000.00	116,733.33	1,098,666.67	3,296,000.00
11	Kenneth Mukira Mahianyu	4,800,000.00	117,482.14	1,105,714.29	3,317,142.86
12	David Mwangi Maitai	5,000,000.00	120,816.59	1,141,218.57	3,476,054.16
13	Samuel Mathu Wainaina	4,700,000.00	112,360.54	1,082,993.20	3,158,730.16
14	Margaret Wanjiru Ireri	4,500,000.00	96,724.81	945,736.43	3,165,374.68
15	Kamau Salome Gathoni	4,800,000.00	114,347.37	1,076,210.53	3,228,631.58
16	Esther wanjiku muhoho	4,000,000.00	47,454.55	436,363.64	3,345,454.55
17	Waweru Waithira Mary	5,000,000.00	121,738.34	1,145,772.59	3,437,317.78
18	Peter Kamau Gathungu	4,600,000.00	108,793.85	1,048,615.38	3,058,461.54
19	John Githinji Mwaniki	4,300,000.00	102,114.55	986,454.55	2,936,818.18
20	Gabriel Gathure Wambui	3,000,000.00	70,833.33	666,666.67	2,000,000.00
21	Hussein Ndung'u Kassana	3,000,000.00	69,910.71	642,857.14	1,982,142.86
22	Andrew Kamau Kariuki	3,000,000.00	69,545.46	654,545.40	1,963,636.45
23	Jane Nyambura Waweru	4,300,000.00	106,252.32	1,024,118.74	2,987,012.99
24	Mary Njeri Wanjau	4,400,000.00	104,127.27	1,003,636.36	2,927,272.73
25	Loise Wanja Kimondo	4,700,000.00	114,494.73	1,103,563.64	3,218,727.27
26	Sammy Ngumo Ngamau	4,600,000.00	111,886.66	1,078,425.66	3,145,408.16
27	Simon Mbogo Mburu	4,200,000.00	82,898.94	824,016.91	3,223,255.83
28	Lucy Wangari Methu	4,500,000.00	106,714.29	1,028,571.43	3,000,000.00
29	Isaac Wanjiru Kungu	4,800,000.00	120,000.00	1,129,411.76	3,388,235.29
30	milcah wanjiru	4,500,000.00	110,336.54	1,038,461.54	3,115,384.62
31	Esther Nyambura mwangi	4,000,000.00	97,647.06	941,176.44	2,745,098.08
32	Jecinta Wangari Githae	4,800,000.00	120,000.00	1,129,411.76	3,388,235.29
33	Samuel Njatha Kinyanjui	4,800,000.00	122,400.00	1,152,000.00	3,456,000.00
34	Reuben Gitau Karanja	5,000,000.00	130,102.04	1,224,489.80	3,673,469.39
35	MUNYEKI David Kamiru	2,700,000.00	689,361.70	689,361.70	2,010,638.30
36	Paul Ngeche Wambaire	4,500,000.00	92,045.45	920,454.55	3,579,545.45
37	NANCY MERCY NJOKI MUREITHI	3,590,000.00	58,441.86	584,418.60	3,005,581.40
38	Catherine Wairimu Njane	3,900,000.00	9,750.00	108,333.33	3,791,666.67
39	Joseph Kariuki Waithira	4,000,000.00	65,000.00	666,666.67	3,333,333.33
	Totals	183,190,000.00	4,742,225.12	39,490,831.37	131,168,605.24

