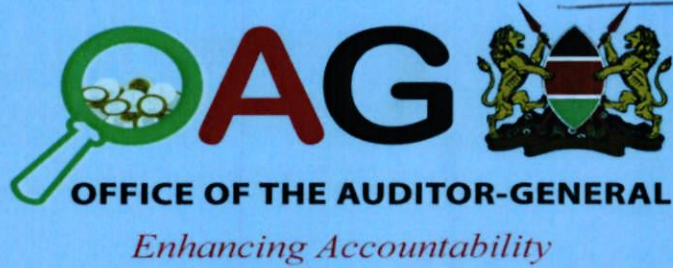


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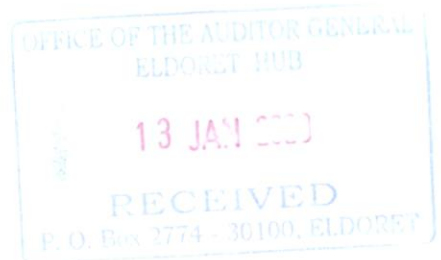
**THE AUDITOR-GENERAL**

**ON**

**NANDI COUNTY ASSEMBLY CAR LOAN  
AND MORTGAGE SCHEME FUND**

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

PAPERS  
DATE 11/11/2021  
TABLED BY Drake Mwangi Wikip  
COMMITTEE  
CLERK AT THE TABLE Kinuthia m.



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**NANDI COUNTY ASSEMBLY SCHEME FUND  
CAR LOANS AND MORTGAGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

**"AMMENDED COPY"**

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

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# NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND

## CAR LOANS AND MORTGAGE

### Reports and Financial Statements For the year ended June 30, 2019

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#### 1.0 KEY ENTITY INFORMATION AND MANAGEMENT

##### a) Background information

Nandi County Assembly Scheme Fund-Car Loans and Mortgage is established by Public Finance Management (Nandi County Assembly Members Scheme Fund) Regulations of 2014 and derives its authority and accountability from PFM Act Section 116. The Fund is wholly owned by the County Government of Nandi and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purposes of purchase of vehicles by members of the scheme and purchase, development, renovation or repair of residential property by members of the Scheme as per Salaries and Remuneration Commission (SRC) Guidelines PFM Act and PFM regulations.

##### b) Principal Activities

The principal activities of the Fund are;

- (a) To provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.
- (b) To provide a loan scheme for the purchase of vehicles by members of the Scheme.

##### c) Fund Administration Committee

Ref	Name	Position
1.	Mr. Barnaba GK Kosgei	Chairman
2.	Mr. Henry Kipkorir Tarus	Vice Chairman
3.	Mr. Wesley Cheruiyot Kimetto	Member
4.	Mr. Luke Kimutai Cherutich	Member
5.	Mr. Justice Kipyego Kirui	Member
6.	Mr. Boniface Kiptoo	Member
7.	Mrs. Lilian Chebet	Member

##### d) Key Management

Ref	Name	Position
1	Mr. Barnaba GK Kosgei	Clerk to the County Assembly
2	Mr. Isaac Kiplagat Tum	Fund Administrator

##### e) Registered Offices

C/o

Fund Administrator,  
NCA Scheme Fund-Car Loans and Mortgage,  
Former Nandi County Council Building, Wilfred Bungei Street  
P.O. Box 673-30300, Kapsabet,  
Kapsabet, KENYA

##### f) Fund Contacts

Telephone: (254) 0535252039

E-mail: [funds@nandiassembly.go.ke](mailto:funds@nandiassembly.go.ke)

Website: [www.nandiassembly.go.ke/fund](http://www.nandiassembly.go.ke/fund)

##### g) Fund Bankers

1. Central Bank of Kenya

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

2. Credit Bank Limited,  
Zion Mall, Eldoret Branch, Uganda Road,  
P O Box 61064 – 00200,  
NAIROBI
  
3. Housing Finance Company of Kenya Limited,  
KVDA Plaza, Oloo /Utalii Street,  
PO Box 9015-30100,  
ELDORET

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

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

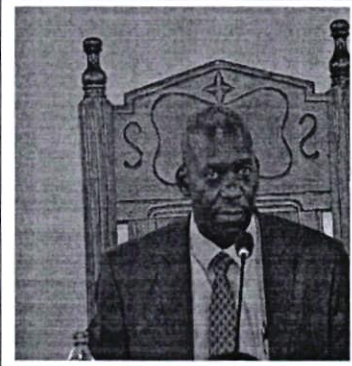



# NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND

## CAR LOANS AND MORTGAGE

**Reports and Financial Statements**  
**For the year ended June 30, 2019**





### 2.0 THE LOAN MANAGEMENT COMMITTEE (LMC) MEMBERS

The Loans Management Committee Members during the financial year consisted of:

	<p><b>(1) Hon. Osborn Komen – Chair, Loan Management Committee (LMC)</b></p> <p>Hon. Osborn Komen was elected as Member of County Assembly for Terik Ward in the 2017 General Elections and was appointed as the first chair of the Loan Management Committee following his election as a Vice chairman to the County Assembly Service Loans Management Committee, a conferring position to the position of a Chair to the LMC under the approved regulations. Before his appointment, he served as a senior officer at the Kenya Ports Authority. He has also held various top management positions in different institutions for over 20 years. He is a holder of Bachelor of Science degree from the University of Nairobi.</p>
	<p><b>(2) Barnaba GK Kosgei – Secretary, Loan Management Committee (LMC)</b></p> <p>Mr Barnaba GK Kosgei was appointed the first Clerk of Nandi County Assembly on 10<sup>th</sup> March 2013. He holds a Master's degree in Business Administration Degree (Strategic Management) from the Kenyatta University. He is a member of both the Institute of Human Resource Management. Before his appointment as the clerk, he served as a Clerk at various local authorities over a period of 15 years before the establishing laws of those authorities was repealed in 2010 by the promulgation of the current Constitution of Kenya.</p>
	<p><b>(3) Hon. Eliud Kirongo – Vice-Chair, Loan Management Committee (LMC)</b></p> <p>Hon. Eliud Kirongo was re-elected as Member of County Assembly for Kapkangani Ward in the 2017 General Elections and is a leader of the minority party in the County Assembly of Nandi, a position which confers him membership of the LMC under the approved regulations. He is a graduate of the Masinde Muliro University of Technology (MMUST) with a Bachelor's in Education degree.</p>
	<p><b>(4) Hon. Hillary Serem – Member, Loan Management Committee (LMC)</b></p> <p>Hon. Hillary Serem was elected as Member of County Assembly for Chemase/Chemelil Ward in the 2017 General Elections and was appointed by the County Assembly to the LMC. He has also held various top management positions at the Cooperative Bank Limited for over 6 years. He is a Bachelor of Business Management (BBM) graduate of the Moi University with specific bias in Accounting.</p>

## NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND CAR LOANS AND MORTGAGE

**Reports and Financial Statements  
For the year ended June 30, 2019**

	<p><b>(5) Hon. Pius Murrey – Member, Loan Management Committee (LMC)</b>            Hon. Pius Murrey was re-elected as Member of County Assembly for Kurgung-Surungai Ward in the 2017 General Elections and was appointed by the County Assembly to the LMC. He held various top management positions in various Savings and Credit Cooperative Societies for over 10 years prior to his first election in the year 2013 as a Member of County Assembly. He is a Bachelor of Commerce graduate of the University of Nairobi.</p>
	<p><b>(6) Hon. Margaret Nyauntu– Member, Loan Management Committee (LMC)</b>            Hon Margaret Nyauntu was nominated after the 2017 General Elections as Member of County Assembly representing minority party interests and was appointed by the County Assembly to the LMC. She is a retired teacher.</p>
	<p><b>(7) Hon. Fredrick Kipkemboi– Member, Loan Management Committee</b>            Hon. Fredrick Kipkemboi was re-elected as Member of County Assembly for Kapsabet Ward in the 2017 General Elections and was appointed by the County Assembly to the LMC.</p>
	<p><b>(8) CPA Isaac Kiplagat Tum – Fund Administrator</b>            CPA Isaac Kiplagat Tum was appointed as the Fund Administrator on 5th October 2018. He is serving as a Principal Fiscal Analyst to the County Assembly of Nandi.            Mr. Tum is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maseno University.</p>



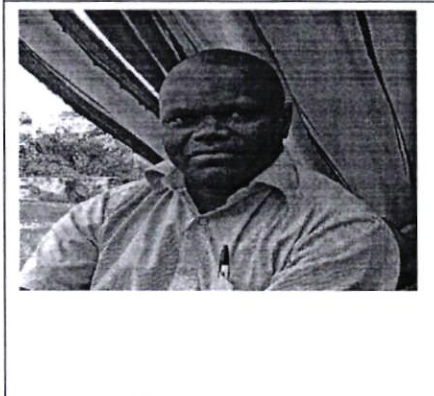
**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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**3.0 MANAGEMENT TEAM**

The day to day management and operations of the Scheme Fund during the financial year consisted of:

	<p><b>(1) Barnaba GK Kosgei – Clerk, Nandi County Assembly</b></p> <p>Mr Barnaba GK Kosgei was appointed the first Clerk of Nandi County Assembly on 10<sup>th</sup> March 2013. He holds a Master's degree in Business Administration Degree (Strategic Management) from the Kenyatta University. He is a member of both the Institute of Human Resource Management. Before his appointment as the clerk, he served as a Clerk at various local authorities over a period of 15 years before the establishing laws of those authorities was repealed in 2010 by the promulgation of the current Constitution of Kenya.</p>
	<p><b>(2) CPA Isaac Kiplagat Tum – Fund Administrator</b></p> <p>CPA Isaac Kiplagat Tum was appointed as the Fund Administrator on 5<sup>th</sup> October 2018. He is serving as a Principal Fiscal Analyst to the County Assembly of Nandi.</p> <p>Mr Tum is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maseno University.</p>
	<p><b>(3) CPA Wesley Kimetto – Fund Accountant</b></p> <p>CPA Wesley Kimetto Cheruiyot was appointed as the Fund Accountant on 5<sup>th</sup> October 2014. He is serving as a Director, Finance and Strategy to the County Assembly of Nandi.</p> <p>Mr. Kimetto is a member of the Institute of Certified Public Accountant of Kenya (ICPAK) in good standing. He is also a graduate of Maasai Mara University and a member of the Institute of Certified Public Secretaries of Kenya. He holds a 20 year public finance management experience gained while working in various segments within the public sector.</p>



# NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND CAR LOANS AND MORTGAGE

## Reports and Financial Statements For the year ended June 30, 2019

### 4.0 REPORT OF THE FUNDS ADMINISTRATOR

#### 4.1 Overview of the Fund

It is my pleasure to present the Nandi County Assembly Scheme Fund-Mortgage and Car Loans financial statements for year ended 30<sup>th</sup> June 2019. The financial statements present the financial performance of the fund over past year.

The Fund established on 1<sup>st</sup> January 2014 with a disbursement of **KShs. 245 million** to the 48 Members of the County Assembly and Speaker following an approval of supplementary budget of the County Assembly budget in February 2014. The disbursement was, however, done by the County Treasury to the members of the County Assembly that included the Speaker to a tune of **KShs. 5,000,000** each which is the capping on the possible disbursement to the MCAS. The rate of interest is 3% as per SRC guidelines. However, the period to maturity of the loans was set at 40 months in order to ensure that the deductions will have been done before the exit of the members from the County service.

To this date, from the total expected recoveries during the period between February 2014 and June 2017 amounting to **KShs. 155.7 million** only **KShs.89 million** were transferred to the Nandi County Assembly Scheme Fund-Mortgage and Car Loans. In the FY 2017/2018, the County Assembly transferred **KShs. 20 million** to the Scheme Fund.

Since the establishment, a total of 108 loan beneficiaries have made borrowings amounting to **KShs. 536,383 million**. Of this, **KShs.328, 833,046** had been paid and **KShs. 218,633,067** was outstanding as at June 30<sup>th</sup> 2019 in the following proportions:

Category of Loan Beneficiaries	Amount	Percentage
State Officer (MCAs and the Speaker)	135,580,714.00	62.01%
Public Officers (Staff)	83,052,353.00	37.99%

#### 4.2 Financial Performance

##### 4.2.1 Revenues

In the year ended 30<sup>th</sup> June 2019, the Fund had projected revenues of **KShs. 26,241,246.82**. Out of the projected revenue, the fund was able to realise **KShs. 24,490,734.73** in actual revenues, representing **97.89%** performance.

##### 4.2.2 Loans

During the Financial Year 2018/2019, the Fund disbursed 22 new loans bringing the total loan beneficiaries to date to 108 beneficiaries. This was a 45% decrease occasioned by the fact that the previous year was an election year in which the state officers at the County Assembly were sworn in to their offices and therefore they were entitled to new loans which they now service.

##### 4.2.3 Cash flows

In the FY 2018/2019, we have not had any many liquidity disruptions. This was as a result of proper planning and better cash collections. The cash and cash equivalent decreased from KShs. 59,509,070.8 as at 1<sup>st</sup> July 2018 to KShs. 44,258,706.0 as at 30<sup>th</sup> June 2019.

##### 4.2.4 Conclusion

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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Financial year 2018/2019, was a good year in general. Good progress was made and a momentum has been created to enable the Nandi County Assembly Members' Scheme Fund Mortgage and Car Loans to continue on the trajectory into prosperity.

We have identified gaps and areas to improve on and in the subsequent years. I take this opportunity to thank the loans management committee for their support and staff who we have worked hand in hand to ensure that the Nandi County Assembly Members' Scheme Fund Mortgage and Car Loans achieve its mission.

We look forward to a more favourable financial year 2019/2020.

Thanks.



CPA ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR,  
NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND-MORTGAGE AND CAR LOANS



# NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND

## CAR LOANS AND MORTGAGE

### Reports and Financial Statements For the year ended June 30, 2019

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#### 5.0 CORPORATE GOVERNANCE STATEMENT

##### 5.1 Preface

The NCA Member's Scheme Fund for Mortgage and Car Loan is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. In line with Section 167 of the PFM Act 2012, the fund administrator has caused the preparation of these financial statements for FY 2018/2019. Its mandate is to provide mortgage and car loans to public and state officers of the County Assembly of Nandi.

The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. The operations of the fund were then governed by a Public Finance Management Regulations enacted in 2014 which were repealed by the County Assembly of Nandi on January 31, 2018 upon enactment of Public Finance Management (Nandi County Assembly Members' Scheme Fund Mortgages and Car Loans) Regulations, 2018 to govern the operations of the fund. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

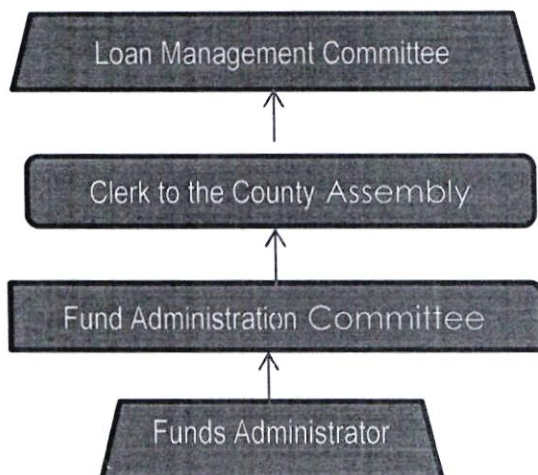
##### 5.2 Fund Committees

Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the two committees;

- (a) the Fund Administration Committee and
- (b) Loans Management Committee.

While the Fund Administration Committee constituted from among administrative staff of the County Assembly of Nandi who hold fiduciary responsibilities, the Loan Management Committee is the apex body of the Fund. The Clerk to the County Assembly sits in both committees; as a Chairman of the Fund Administration Committee and a secretary to the LMC. However, as at the end of the FY 2018/2019, the LMC membership had not been adopted by the County Assembly as a required by the regulations and therefore the Fund Administration Committee ran all the activities as the only fully constituted committee. The Fund Administration Committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The Fund Administration Committee also plays an oversight role over all other financial and operational issues. The fund's administrative officers held seven full board and two special board meetings during the FY 2018/2019.

##### 5.3 Organization Structure



**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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**5.4 Statement of Compliance**

The Fund Administration Committee confirms that the fund has throughout the FY2018/2019 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

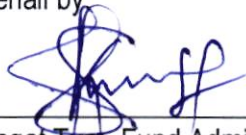
**5.5 Fund Administration Committee changes**

The following one (1) member of Fund Administration Committee exited during the year under review:

S/No.	Name	Position in committee	Period Served
1	Mrs Isabella Jebet Maiyo	Chairperson	1 <sup>st</sup> January 2018 to 30 <sup>th</sup> December 2018

**5.6 Approval of the corporate governance statement**

The corporate governance statement were approved by the Fund Administration Committee on ~~10 January~~ **2020** and signed on its behalf by:



CPA Isaac Kiplagat Tum, Fund Administrator,  
NCA MEMBERS' SCHEME FUND (MORTGAGE AND CAR LOANS)



\_\_\_\_\_  
BARNABA GK KOSGEI,  
THE CLERK TO THE NANDI COUNTY ASSEMBLY,

# NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND CAR LOANS AND MORTGAGE

## Reports and Financial Statements For the year ended June 30, 2019

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### 6.0 MANAGEMENT REPORT OF THE FUND ADMINISTRATION COMMITTEE

#### 6.1 PREFACE

The fund has continued to grow over the 5 years since its establishment and the management has put measures in place to safeguard against risks. The management has ensured that we comply with statutory requirements relating to the functions of the fund

#### 6.2 BUSINESS PERFORMANCE

##### 6.2.1 Revenues

In the year ended 30<sup>th</sup> June 2019, the Fund had projected revenues of **KShs. 26,241,246.82**. Out of the projected revenue, the fund was able to realise **KShs. 24,490,734.73** in actual revenues, representing **93.33%** performance.

The performance of business in FY 2018/2019 was **KShs. 24,490,734.73** down from business performance of **KShs. 148,457,773.80** in a similar period in the FY 2017/2018.

The Fund received an decreased transfer from County Government operations of **KShs. 22 million** in FY 2018/2019 down from **Kshs. 109 million** in FY 2017/2018. Similarly, there was a rise in interests incomes in FY 2018/2019 from **KShs. 2,210,998.00** charged on loans in FY 2017/2018 to **KShs. 3,688,352.33** charged on loans in FY 2018/2019. This was mainly due to the growth in number of scheme borrowers from 38 to 61 respectively. However, neither did the Fund Administrator fix nor invest its funds in interest earning instruments in FY 2018/2019 mainly because the decision to approve or not to approve the proposed names of the Loan Management Committee as per regulations is still pending in the County Assembly. Therefore substantive decisions on the applications of repayments could not be made or expedited as is appropriate.

The total expenses in the financial year 2018/2019 amounted to KShs. 1,197,947.60 comprised of;

- a) Bank charges and commissions of **KShs. 14,747.60** in FY 2018/2019 up by **KShs. 9,131** (162.6%) from **KShs. 5,616.6** in FY 2017/2018 and
- b) Loan processing costs of **KShs. 1,183,200** in FY 2018/2019.

##### 6.2.2 Cash flow

The cash and cash equivalents decreased from **KShs 59,435,340.52** as at 30 June 2018 to **KShs 44,258,705.62** as at 30 June 2019.

Summarily, the net changes in;

- 1) Cash flows from operations were **KShs. 24,490,734.7** comprising of incomes totalling **KShs. 25,688,352.3** less expenses totalling **KShs. 1,197,617.6**.

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

- 2) Cash flow from investing activities was KShs. (39,667,444.3) comprising of proceeds from loan principal repayments totalling KShs. 47,075,566.8 less loan disbursements paid out totalling KShs. 86,743,000.00 as explained in note 6.3.2 below.
  
- 3) Cash flows from financing activities was nil in the FY 2018/2019 because of the delays approval of the following proposed names of Loans Management Committee. The regulations mandated with strategic decision making of the Fund including on investing activities.

**6.3 OPERATIONAL PERFORMANCE**

6.3.1 The Fund continues to encounter challenges in its cash flow management mainly because of the following reasons;

6.3.1.1 Failure by the County Government of Nandi to remit a total of **KShs. 69,876,335** deducted from the members of County Assembly who served between March 27<sup>th</sup>, 2013 and August 8<sup>th</sup>, 2017.

6.3.1.2 Unfavourable decisions during the approval of the Nandi County Supplementary Budgets by County Assembly of Nandi. In all approvals the specific allocations for the transfers to the Fund became donor votes to other needy areas. In FY 2017/2018, the appropriation as at July 1, 2017 KShs. 61 million earmarked for loans were reduced on April 30, 2018 to KShs. 20 million, while in FY 2018/2019, the County Assembly of Nandi allocation as at July 1, 2018 budgeted to be transferred to the Fund was KShs. 44 million which were later reduced to KShs.22 million on May 2019.

6.3.1.3 Delayed approval of the following proposed names of Loans Management Committee

6.3.2 The Fund disbursed a total of KShs. 86,743,000.00 as loans based as approved loan application(s) of the 4 State Officers and 19 public officers the following clusters;

S/No	Scheme Borrower's Cluster	Amount (KShs)	Percentage
1	Political Partisan Staff Total	1,540,000.00	1.78%
2	Salary Scale 11 (JG R) Total	13,380,000.00	15.42%
3	Salary Scale 12 Total	9,440,000.00	10.88%
4	Salary Scale 2-4 (JG D-J) Total	8,200,000.00	9.45%
5	Salary Scale 5-8 (JG K-N) Total	31,520,000.00	36.34%
6	Salary Scale 9-10 (JG P-Q) Total	9,880,000.00	11.39%
7	State Officer Total	12,783,000.00	14.74%
	<b>Grand Total</b>	<b>86,743,000.00</b>	

6.3.3 The Fund recoveries from the loan disbursed to the 61 Scheme Fund borrowers were a total of **KShs. 50,763,908** from which principal repayments were **KShs. 47,075,566.8**. The

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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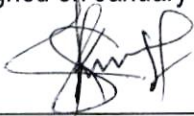
loan book reduced from **KShs. 306,322,464.77** owed to the fund by Scheme borrowers as at the end of the FY 2017/2018 and **KShs. 259,377,987.72** owed to the fund by Scheme borrowers as at the end of the FY 2018/2019.

**6.4 CONCLUSION**

We, the management team of the Nandi County Assembly Scheme Fund, reviewed the prospects of the Fund and affirm that the Fund's outlook is bright.

We look forward to a better FY 2019/2020!

Signed on January 10, 2019, by



Isaac Kiplagat Tum, Fund Administrator,  
NCA MEMBERS' SCHEME FUND (MORTGAGE AND CAR LOANS) and



BARNABA GK KOSGEI,  
CLERK TO THE NANDI COUNTY ASSEMBLY



**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND**  
**CAR LOANS AND MORTGAGE**

**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**7.0 MANAGEMENT DISCUSSION AND ANALYSIS**

**7.1 DISTINCTIONS BETWEEN FUND OPERATIONS MCAs AND STAFF;**

(a) Staff and MCAs operate separate schemes as follows;

<b>FEATURES</b>	<b>SCHEME ON MCAs, PA TO THE SPEAKER AND MEMBERS TO THE CASB</b>	<b>SCHEME ON PUBLIC OFFICERS (ONLY PERMANENT AND PENSIONABLE)</b>
Loan Disbursement And Recovery Accounts	Account No. held at Housing Finance Company of Kenya (HFCK) Limited	Account No. held at Credit Bank Limited
Application of SRC Guidelines on loan advancing	<p>(a) Speaker (on 5 year contract):</p> <p>(i) Max. KShs. 12 million (given ability to repay) to be repaid in 54 months from October 2017.</p> <p>(ii) However SRC allowed Kshs.24 million.</p> <p>(b) Other MCA (on 5 year contract):</p> <p>(i) Loaned KShs. 5 million as per SRC circular (maximum allowed) to be repaid in 54 months from October 2017.</p> <p>(ii) However, Hon Trufosa Jelagat Kutto (who was nominated after 1 year into second County Assembly after disputing initial nomination of another in court) could only be advanced KShs.3.883 million in September 2018 given diminished contract period.</p> <p>(c) CASB Member (on 5 year contract):</p> <p>(i) Loaned KShs. 3.45 million each (given max. ability to repay) to be repaid in 48 months from July 2018.</p> <p>(ii) However SRC allowed Kshs.5 million.</p> <p>(d) PA to the Speaker (on contract)</p> <p>(i) Loaned KShs. 1.6 million (given ability to repay) to be repaid in 48 months from July 2018.</p>	<p>Successful loan applicants received loans based on half the maximum allowed under the SRC Circular.</p> <p>However based on the funding challenges the capping given herein as Annex 1 was agreed by the Fund Administration Committee in June 2018 (for any avoidance of doubt, only subject to review of job groups by the CASB).</p>
Term of Loans	All loans to be repaid before end of tenure on August 9, 2022.	Whichever is less of the following; a) 15 years (180 months) or b) The difference of the current age and one year to exit of service.
Prioritization of borrowers	All advanced at same period to be repaid by 54	The loans are advanced on first come first serve basis upon completing requirements set as policy.



**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

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**7.2 SCHEME 1 (FOR STATE OFFICERS AND POLITICALLY PARTISAN STAFF ON 5 YEAR CONTRACT)**

This scheme has a primary objective to loan monies pursuant to all applicable laws, guidelines and regulations for the purposes of purchase or development of individual residential house(s) and acquisition of motor vehicles by each of the following whose individual contract ends on or before August 9, 2022;

- (i) Speaker.
- (ii) The 38 MCAs.
- (iii) The 2 other CASB Members representing the members of public.
- (iv) Personal Assistant to the Speaker.

The above named officers have been loaned a total of KShs. 212,323,000 to their accounts. Except for the Personal Assistant to the Speaker, the above listed Scheme 1 borrowers are State Officers as per the Constitution of Kenya, 2010.

In accordance with the Fund regulations, the costs incurred in insuring the loans and valuation of the parcels of land for which they submitted the titles shall be recovered from each of the beneficiaries.

The disbursement of funds to successful loan applicants is primarily done from the Housing Finance Company of Kenya (HFCK) Limited Account No. 704-0003061 and their recoveries are also channeled to this account upon automated deductions from their employment income. The use of IPPD system is crucial in this case.

**7.3 SCHEME 2 (FOR THE PUBLIC OFFICERS)**

This scheme has a primary objective to loan monies pursuant to all applicable laws, guidelines and regulations for the purposes of purchase or development of individual residential house(s) and acquisition of motor vehicles by each of the staff whose individual terms of employment are permanent and pensionable and are categorized as per the following categories for use of consideration;

- I. Category A: Public officers with 10 or less years of service to retirement.
- II. Category B: Public Officers serving in Job Group 'P' or equivalent and above.
- III. Category C: Public Officers serving in Job Group from 'K' to 'N' or equivalent.
- IV. Category D: Public Officers serving in Job Group from 'J' or equivalent and below.
- V. Category E: Public Officers serving in their first and second year at the County Assembly.

The categorization of loan applicants is based on the data pooled from the IPPD system and from resolutions of the deliberations by the FAC and the LMC on the staff establishment by the CASB. The Fund administrator has already received 30 new Mortgage

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
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**Reports and Financial Statements  
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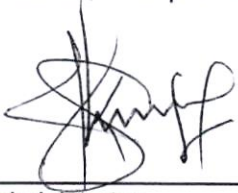
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Loan Applications Forms, 17 of which have complied with the minimum thresholds set by the FAC approved by the LMC before advancing borrowers.

The scheme fund incurs very minimum or no expenditure in loan disbursement at the moment apart from bank charges and transaction costs since the following forms of expenses are incurred by the borrower to a maximum of KShs.60, 000;

- (a) valuation charges
- (b) insurance costs
- (c) registration of charge on land
- (d) legal costs

The Scheme Fund does not have employees and both the Fund Administrator and members of administering committee are employees of the County Assembly of Nandi whose employment terms are as per staff establishment by the CASB.



Fund Administrator,  
Name: ISAAC TUM  
ICPAK Member No.: 16906.



Fund Accountant  
Name: WESLEY KIMETO  
ICPAK Member No.: 11505



BARNABA GK KOSGEI,  
CLERK TO THE NANDI COUNTY ASSEMBLY



**NANDI COUNTY ASSEMBLY SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
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**8.0 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 Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on **9 January 2020** and signed on its behalf by

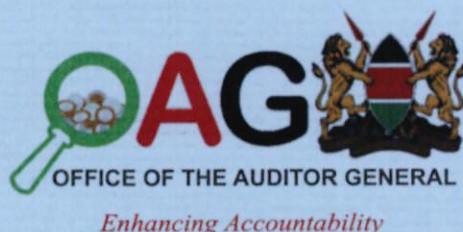
Isaac Kiplagat Tum, Fund Administrator,  
NCA MEMBERS' SCHEME FUND (MORTGAGE AND CAR LOANS) and

BARNABA GK KOSGEI,  
CLERK TO THE NANDI 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 NANDI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Nandi County Assembly Car Loan and Mortgage Scheme Fund set out on pages 19 to 42, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nandi County Assembly Car Loan and Mortgage Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Unsupported Movement in Revolving Fund and Retained Earnings**

The statement of financial position as at 30 June, 2019 reflects a revolving fund balance of Kshs.326,090,438. Further, the statement of changes in net assets shows a revolving fund balance of Kshs.177,632,665 and Kshs.326,090,439 as at 30 June, 2018 and as at 1 July, 2018 respectively representing an increase of Kshs.148,457,774 equivalent to the accumulated surplus as at 30 June, 2018. No explanation was provided for incorporating the accumulated surplus in the revolving fund balance.

Consequently, the accuracy and completeness of the balance of Kshs.326,090,438 and Kshs.24,490,735 relating to the revolving fund figure and the retained earnings respectively, could not be confirmed.

## **2. Inappropriate Fund Title in the Financial Statements**

The financial statements provided for audit review refer to the Fund as Nandi County Assembly Scheme Fund Car Loans and Mortgage. This is contrary to Section 3(1) of the Public Finance Management (Nandi County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2014 which provides that there is established a Fund to be known as the Nandi County Assembly Car Loan and Mortgage Scheme Fund.

## **3. Inaccuracies in the Financial Statements**

The statement of financial position reflects a comparative balance of Kshs.344,917,664 for total equity. However, the re-computed total is Kshs.257,457,774 resulting into a difference of Kshs.87,459,890. Further, the statement of cashflows reflects a cash and cash equivalents balance of Kshs.59,435,405 as at 30 June, 2018. However, the re-computed balance is Kshs.63,249,367 giving rise to a difference of Kshs.3,813,961.

In the circumstances, the accuracy of the financial statements presented for audit is in doubt.

## **4. Unsecured Members Mortgages and Car Loans**

The statement of financial position reflects current loan repayments due of Kshs.306,322,466 being mortgages and car loans advanced to staff and Members of the Nandi County Assembly. However, as previously reported, examination of the documents provided for audit revealed that, the loans were advanced to members and no charges were registered on the properties financed through the loan's contrary to Section 13 of the Public Finance Management (Nandi County Assembly Car Loan and Mortgage Scheme Fund) Regulations, 2014 and Section 7 of Part I of the First and Second Schedule to the Regulations.

Consequently, full recoverability of the outstanding mortgage and car loan balances was in doubt especially where a Member or staff of the County Assembly ends his/her term or leaves employment.

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Failure to Provide an Approved Operational Budget**

The statement of comparison of budget and actual amounts reflects a budget of Kshs.26,241,247 and Kshs.1,335,000 for revenue and expenses respectively. However, no evidence was provided for audit that the budget was approved as required under Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that county government entities should execute the approved budgets based on the annual appropriation and approved cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund or supplementary estimates.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of 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 services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's 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**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**14 October, 2021**

**NANDI COUNTY ASSEMBLY MEMBERS' SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

**9.0 FINANCIAL STATEMENTS**

**9.1 STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY-2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	22,000,000.00	143,721,338.20
Fines, penalties and other levies	3	-	-
		<b>22,000,000.00</b>	<b>143,721,338.20</b>
<b>Revenue from exchange transactions</b>			
Interest income	4	3,688,352.33	4,742,052.23
Other income	5	-	-
<b>Total revenue</b>		<b>25,688,352.33</b>	<b>148,463,390.43</b>
<b>Expenses</b>			
Fund administration expenses	6	1,183,200.00	-
Staff costs	7	-	-
General expenses	8	-	-
Finance costs	9	14,417.60	5,616.60
<b>Total expenses</b>		<b>1,197,617.60</b>	<b>5,616.60</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>24,490,734.73</b>	<b>148,457,773.80</b>

The notes set out on pages 11 to 17 form an integral part of these Financial Statements

**NANDI COUNTY ASSEMBLY SCHEME FUND**  
**CAR LOANS AND MORTGAGE**

**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**9.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	FY 2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	44,258,706.62	59,435,340.52
Current loan repayments due	12	306,322,466.77	69,876,335.00
Prepayments	13	0	0
Inventories	14	0	0
<b>Non-current assets</b>			
Property, plant and equipment	15	0	0
Intangible assets	16	0	0
Long term receivables from exchange transactions	12	0	215,605,988.00
<b>Total assets</b>		<b>350,581,173.40</b>	<b>344,917,663.52</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	0	0
Provisions	18	0	0
Current portion of borrowings	19	0	0
Employee benefit obligations	20	0	0
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	0	0
Long term portion of borrowings	19	0	0
<b>Total liabilities</b>		<b>0</b>	<b>0</b>
<b>Net assets</b>		<b>350,581,173.40</b>	<b>344,917,663.52</b>
<b>FINANCED BY:</b>			
Revolving Fund		326,090,438.40	109,000,000.00
Reserves		0	0
Accumulated surplus		24,490,735	148,457,773.83
<b>Total Equity</b>		<b>350,581,173.40</b>	<b>344,917,663.52</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nandi County Assembly Members' Scheme Fund financial statements were approved on 10 January 2020 and signed by:

Administrator of the Fund  
Name: ISAAC TUM



Fund Accountant  
Name: WESLEY KIMETO

ICPAK Member No.: 11505

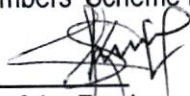
**NANDI COUNTY ASSEMBLY SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**


**9.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	KShs	KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	177,632,664.90	-	148,457,773.80	326,090,438.70
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30th June 2018</b>	177,632,664.90	-	148,457,773.80	326,090,438.70
<b>Balance as at 1 July 2018</b>	326,090,438.70	-	-	326,090,438.70
Surplus/(deficit) for the period	-	-	24,490,734.73	24,490,734.73
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30th June 2019</b>	326,090,438.70	-	24,490,734.73	350,581,173.40

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Nandi County Assembly Members' Scheme Fund financial statements were approved on 9 January 2020 and signed by:

  
 Administrator of the Fund  
 Name: ISAAC TUM

**NCA SCHEME FUND  
FUND ADMINISTRATOR**  
  
 10 JAN 2020  
  
**APPROVED  
CAR LOANS & MORTGAGES**

  
 Fund Accountant  
 Name: WESLEY KIMETO  
 ICPAK Member No.: 11505

**NANDI COUNTY ASSEMBLY SCHEME FUND**  
**CAR LOANS AND MORTGAGE**

**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**9.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	FY 2018/2019	FY 2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0.0	0.0
Transfers from the County Government	2	22,000,000.00	143,721,338.20
Interest received	4	3,688,352.30	3,466,230.20
Receipts from other operating activities		0.0	0.0
<b>Total Receipts</b>		<b>25,688,352.30</b>	<b>147,187,568.40</b>
<b>Payments</b>			
Fund administration expenses	6	1,183,200.0	0.0
General expenses		0.0	0.0
Finance cost	9	14,417.60	5,616.60
<b>Total Payments</b>		<b>1,197,617.60</b>	<b>5,616.60</b>
<b>Net cash flows from operating activities</b>		<b>24,490,734.70</b>	<b>147,181,952.40</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0.0	0.0
Proceeds from sale of property, plant and equipment		0.0	0.0
Proceeds from loan principal repayments		47,075,566.8	0.0
Loan disbursements paid out		(86,743,000.0)	(202,340,000.0)
<b>Net cash flows used in investing activities</b>		<b>(39,667,444.30)</b>	<b>202,340,000.0</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		0.0	0.0
Additional borrowings		0.0	0.0
Repayment of borrowings		0.0	0.0
<b>Net cash flows used in financing activities</b>		<b>0.0</b>	<b>0.0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(15,176,709.60)</b>	<b>(55,158,047.60)</b>
Cash and cash equivalents at 1 JULY 2018		59,435,405.10	117,150,838.00
<b>Cash and cash equivalents at 30 JUNE 2019</b>		<b>44,258,706.60</b>	<b>59,435,405.10</b>

**NANDI COUNTY ASSEMBLY SCHEME FUND  
CAR LOANS AND MORTGAGE**

**Reports and Financial Statements  
For the year ended June 30, 2019**

**9.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	0	0	0	0	0	0
Transfers from County Govt.	44,000,000.00	-22,000,000.00	22,000,000.00	22,000,000.00	0	100.00%
Interest income	4,241,246.82	0	4,241,246.82	3,688,352.33	552,894.49	86.96%
<b>Total income</b>	<b>48,241,246.82</b>	<b>-22,000,000.00</b>	<b>26,241,246.82</b>	<b>25,688,352.33</b>	<b>552,894.49</b>	<b>97.89%</b>
<b>Expenses</b>						
Staff costs	0	0	0	0	0	
General expenses	0	0	0	0	0	
Fund administration expenses	1,320,000.00	0	1,320,000.00	1,183,200.00	136,800.00	89.64%
Finance cost	15,000.00	0	15,000.00	14,417.60	582.4	96.12%
<b>Total expenditure</b>	<b>1,335,000.00</b>	<b>0.00</b>	<b>1,335,000.00</b>	<b>1,197,617.60</b>	<b>137,382.40</b>	<b>89.71%</b>
<b>Surplus for the period</b>	<b>46,906,246.82</b>	<b>-22,000,000.00</b>	<b>24,906,246.82</b>	<b>24,490,734.73</b>	<b>415,512.09</b>	<b>8.18%</b>

# NANDI COUNTY ASSEMBLY SCHEME FUND CAR LOANS AND MORTGAGE

## Reports and Financial Statements

For the year ended June 30, 2019

### 10.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### 10.1.1 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.

#### 10.1.2 Adoption of new and revised standards

##### 10.1.2.1 Early adoption of standards

The Nandi County Assembly Members' Scheme Fund did not early – adopt any new or amended standards in year 2014/2015.

### 10.2 Revenue recognition

#### 10.2.1 Revenue from non-exchange transactions

##### 10.2.1.1 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 Nandi County Assembly Members' Scheme Fund and can be measured reliably.

#### 10.2.2 Revenue from exchange transactions

##### 10.2.2.1 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.

#### 10.2.3 Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on Nandi. Subsequent downward revision by **KShs.22, 000,000** on the approved appropriations were made to the approved budget in May 2019.

The Nandi County Assembly Members' Scheme Fund 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

## **NANDI COUNTY ASSEMBLY SCHEME FUND CAR LOANS AND MORTGAGE**

### **Reports and Financial Statements**

**For the year ended June 30, 2019**

on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Section 9.0 of these financial statements.

#### **10.2.4 Financial instruments**

#### **10.2.5 Financial assets**

##### **10.2.5.1 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 Nandi County Assembly Members' Scheme Fund determines the classification of its financial assets at initial recognition.

##### **10.2.5.2 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.

#### **10.2.6 Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when The Nandi County Assembly Members' Scheme Fund 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.

#### **10.2.7 Impairment of financial assets**

The Nandi County Assembly Members' Scheme Fund assesses at each reporting date whether there is objective evidence that a financial asset or an 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 Nandi County Assembly Members' Scheme Fund of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty



## NANDI COUNTY ASSEMBLY SCHEME FUND CAR LOANS AND MORTGAGE

### Reports and Financial Statements For the year ended June 30, 2019

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- 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)

#### 10.2.8 Financial liabilities

##### 10.2.8.1 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 Nandi County Assembly Members' Scheme Fund 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.

##### 10.2.8.2 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.

#### 10.2.9 Changes in accounting policies and estimates

The Nandi County Assembly Members' Scheme 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.

#### 10.2.10 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.

#### 10.2.11 Related parties

The Nandi County Assembly Members' Scheme 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 CEO and senior managers.

#### 10.2.12 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

## NANDI COUNTY ASSEMBLY SCHEME FUND CAR LOANS AND MORTGAGE

### Reports and Financial Statements For the year ended June 30, 2019

to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Housing Finance Company of Kenya Limited and Credit Bank Limited 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.

#### 10.2.13 Comparative figures

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

#### 10.2.14 Events after the reporting period

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

#### 10.2.15 Ultimate and Holding Entity

The Nandi County Assembly Members' Scheme Fund is a County Public Fund established by PFM Act under the County Assembly of Nandi. Its ultimate parent is the County Government of Nandi.

#### 10.2.16 Currency

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

#### 10.2.17 Significant judgments and sources of estimation uncertainty

The preparation of the Nandi County Assembly Members' Scheme Fund'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.

**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 Nandi County Assembly Members' Scheme Fund 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.

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**11.0 NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Donation from development partners	0.00	0.00
Contributions from the public	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**2. Transfers from County Government**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Transfers from County Government – operations	22,000,000.00	109,000,000.00
Payments by County Assembly on behalf of the entity	0.00	34,721,338.00
<b>Total</b>	<b>22,000,000.00</b>	<b>143,721,338.00</b>

**3. Fines, penalties and other levies**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Late payment penalties	0.00	0.00
Fines	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**4. Interest income**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Interest income from loans (mortgage or car loans)	3,688,352.33	2,210,998.00
Interest income from loans (fixed term deposits)	0.00	2,531,054.23
<b>Total interest income</b>	<b>3,688,352.33</b>	<b>4,742,052.23</b>

**5. Other income**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Insurance recoveries	0.00	0.00
Income from sale of tender documents	0.00	0.00
Miscellaneous income	0.00	0.00
<b>Total other income</b>	<b>0.00</b>	<b>0.0</b>

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**6. Fund administration expenses**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Loan processing costs	1,183,200.00	0.0
		0.00
<b>Total</b>	<b>1,183,200.00</b>	<b>0.0</b>

**7. Staff costs**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Salaries and wages	0.00	0.00
Staff gratuity	0.00	0.00
Staff training expenses	0.00	0.00
Social security contribution	0.00	0.00
Other staff costs	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**8. General expenses**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Consumables	0.00	0.00
Electricity and water expenses	0.00	0.00
Fuel and oil costs	0.00	0.00
Insurance costs	0.00	0.00
Postage	0.00	0.00
Printing and stationery	0.00	0.00
Rental costs	0.00	0.00
Security costs	0.00	0.00
Telecommunication	0.00	0.00
Hospitality	0.00	0.00
Depreciation and amortization costs	0.00	0.00
Other expenses	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**9. Finance costs**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Bank charges	14,417.60	5,616.60

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Other charges		17,329.30
<b>Total</b>	<b>14,417.60</b>	<b>24,861.90</b>

**10. Gain on disposal of assets**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**11. Cash and cash equivalents**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Fixed deposits account	0.00	0.00
On – call deposits	0.00	0.00
HFCK Current account: No.7040003061-0	36,977,580.02	9,435,340.52
HFCK Current account: No.1924813202	4,077,664.60	0
Credit Bank Limited Ac No. 0091018000055	3,203,461.00	50,000,000.00
<b>Total cash and cash equivalents</b>	<b>44,258,705.62</b>	<b>59,435,340.52</b>

**12. Receivables from exchange transactions**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
<b>Current Receivables</b>		
Interest receivable	0.00	0.00
Current loan repayments due	236,446,129.77	215,605,988.00
Other debtors (County Executive of Nandi)	69,876,336.00	69,876,336.00
Less: impairment allowance		
<b>Total Current receivables</b>	<b>306,322,465.77</b>	<b>285,482,323.00</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	0.00	0.00
<b>Total Non-current receivables</b>	<b>0.00</b>	<b>0.00</b>
<b>Total receivables from exchange transactions</b>	<b>306,322,465.77</b>	<b>285,482,323.00</b>

**13. Prepayments**

Description	FY 2018/2019	FY 2017/2018
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	KShs	KShs
Prepaid rent	0.00	0.00
Prepaid insurance	0.00	0.00
Prepaid electricity costs	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.0</b>

**14. Inventories**

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Consumable stores	0.00	0.00
Spare parts and meters	0.00	0.00
Catering	0.00	0.00
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0.00</b>	<b>0.00</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. 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 2017</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 1<sup>st</sup> July 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30 JUNE 2019</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2017	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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	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 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/adjustment	0.00	0.00	0.00	0.00	0.00
<b>At 30 JUNE 2019</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2018</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30<sup>th</sup> June 2019</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>



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**16. Intangible assets-software**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
<b>Cost</b>		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
<b>Amortization and impairment</b>		
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
Impairment loss	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>
<b>NBV</b>	<b>0.00</b>	<b>0.0</b>

**17. Trade and other payables from exchange transactions**

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Trade payables	0.00	0.00
Refundable deposits	0.00	0.00
Accrued tax expenses (Fringe Benefit Tax)	0.00	0.00
Other payables	0.00	0.00
<b>Total trade and other payables</b>	<b>0.00</b>	<b>0.0</b>

**18. Provisions**

Description	Leave provision KShs	Bonus provision KShs	Other provision KShs	Total KShs
Balance at the beginning of the year	000	000	000	000
Additional Provisions	000	000	000	000
Provision utilised	000	000	000	000
Change due to discount and time value for money	000	000	000	000
Transfers from non -current provisions	000	000	000	000
<b>Total provisions</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>

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**19. Borrowings**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>	000	000
External borrowings during the year	000	000
Domestic borrowings during the year	000	000
Repayments of external borrowings during the period	000	000
Repayments of domestics borrowings during the period	000	000
<b>Balance at end of the period</b>	<b>000</b>	<b>000</b>

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from Banks	000	000
Sterling Pound denominated loan from XYZ Bank	000	000
Euro denominated loan	000	000
<b>Domestic Borrowings</b>	000	000
Kenya Shilling loan from KCB	000	000
Kenya Shilling loan from Barclays Bank	000	000
Kenya Shilling loan from Consolidated Bank	000	000
Borrowings from other government institutions	000	000
<b>Total balance at end of the year</b>	<b>000</b>	<b>000</b>

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Short term borrowings(current portion)	000	000
Long term borrowings	000	000
<b>Total</b>	<b>000</b>	<b>000</b>

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**20. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	000	000	000	000
Non-current benefit obligation	000	000	000	000
<b>Total employee benefits obligation</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>

**21. Cash generated from operations**

	FY2018/2019	FY2017/2018
	KShs	KShs
<b>Surplus for the year before tax</b>	000	000
<b>Adjusted for:</b>	000	000
Depreciation	000	000
Gains/ losses on disposal of assets	000	000
Interest income	000	000
Finance cost	000	000
<b>Working Capital adjustments</b>	000	000
Decrease in inventory	000	000
(Increase )/Decrease in receivables	000	000
Increase in payables	000	000
<b>Net cash flow from operating activities</b>	<b>000</b>	<b>000</b>

**22. Related party balances**

**a) Nature of related party relationships**

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

- a) Nandi County Assembly;
- b) Loans Management Committee Members; and
- c) Key management personnel.

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**b) Related party transactions**

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	000	000
Transfers to related parties	000	000

**c) Key management remuneration**

	FY2018/2019	FY2017/2018
	KShs	KShs
Management Committee of Committee Members	000	000
Key Management Compensation	000	000
<b>Total</b>	<b>000</b>	<b>000</b>

**d) Due from related parties**

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Due from parent County Assembly of Nandi	0.0	-
Due from County Government of Nandi		0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

**e) Due to related parties**

	FY2018/2019	FY2017/2018
	KShs	KShs
Due to parent Ministry	000	000
Due to County Government	000	000
Due to Key management personnel	000	000
<b>Total</b>	<b>000</b>	<b>000</b>

**23. Contingent assets and contingent liabilities**

Contingent liabilities	FY2018/2019	FY2017/2018
	KShs	KShs
Court case xxx against the Fund	000	000

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Bank guarantees	000	000
<b>Total</b>	<b>000</b>	<b>000</b>

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**12.0 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0. Failure to submit financial statements (Basis for Adverse Opinion)	The auditors stated that they could not confirm accuracy and validity of the opening balance figure and that management is in breach of the law since the financial statements for the years 2014/15, 2015/16 and 2016/17 were not availed for audit review contrary to the PFM Act of 2012 Section 116 (a), (b) and (c).	This was occasioned by the failure by the County Treasury of Nandi to hand over to the County Assembly all the payment vouchers in respect of the Fund that were used during the first MCAs' funding. However, a set of Financial Statements for the FYs in question have been prepared as required.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019
2.0. The Total Net Assets. (Basis for Adverse Opinion)	The auditors found that the figure of KShs. 602,375,437 was indicated instead of a figure of KShs. 344,917,663, an indication which resulted in a variance of KShs. 257,457,774.	The Journal Vouchers have been prepared to correct the anomaly that arose from wrongful use of a National Treasury template for preparation of financial statements of a County Public Fund.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.0. Interest Income. (Basis for Adverse Opinion)	The auditors found that the figure of KShs. 4,742,052 was indicated as interest income during the year in statement of income and expenditure for the year ended June 30, 2018 while in the statement of cash flows a figure of KShs.3, 466,230 was indicated. This indication resulted in a variance of KShs.1, 275,822.	A Journal Vouchers have been prepared to correct the anomaly that arose from wrongful use of a National Treasury template for preparation of financial statements of a County Public Fund.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019
4.0. Variance between in Loan Disbursements. (Basis for Adverse Opinion)	The auditors found that the figure of KShs. 214,903,000 was indicated as loan disbursements during the year in statement of comparison of budget and actual amounts for the year ended June 30, 2018 while in the statement of cash flows a figure of <b>KShs.202, 340,000</b> was indicated in respect of the same item. This indication resulted in auditors being rendered unable to ascertain of loan disbursements figure.	A Journal Vouchers have been prepared to correct the anomaly that arose from wrongful use of a National Treasury template for preparation of financial statements of a County Public Fund.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
5.0. Unsupported Cash and Cash Equivalents. (Basis for Adverse Opinion)	The auditors had not been provided with updated cashbooks, reconciliation statements and bank confirmation certificates in respect of the KShs.59, 435,340 reported as cash and cash equivalents.	While it is regretful that the same may not have been provided due to exigencies of work, the same is provided as an attachment to these financial statements.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019
6.0. Variance between Financial Statement total Income and Schedules. (Basis for Adverse Opinion)	The auditors found that the statement of incomes and expenditure for the year ended June 30, 2018 reflected a figure of KShs.148, 463,390 which was at variance with supporting schedule submitted then with a figure KShs.141, 940,041 which resulted in a variance of KShs.6, 523,349.	A Journal Vouchers have been prepared to correct the anomaly that arose from wrongful use of a National Treasury template for preparation of financial statements of a County Public Fund.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019
7.0. Unsupported Current Receivables	The auditors found that the KShs. 69,876,335 indicated current receivables not remitted by the county executive to the fund in the Financial Statements had not been supported with the	A submission by the CEC Member for Finance and Economic Planning has been made on the KShs. 69,876,335 not remitted to the Fund. It is attached to the responses to the	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	RESOLVED	BEFORE DECEMBER 10, 2019



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	reason for not remitting to the Fund.	Auditors as a support of the figure.			
Long Term Receivables from Exchange Transactions. (Basis for Conclusion)	The auditors found that the outstanding car loans and mortgage facilities had loan securities that were not charged as required by the law and hence in their conclusion, management was in breach of law and thereby exposing the Fund to potential risks of loan defaults.	The Loan Management Committee had not been fully constituted by the time of the preparation of these statements.	ISAAC KIPLAGAT TUM, FUNDS ADMINISTRATOR	NOT RESOLVED	BEFORE DECEMBER 10, 2019

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.