

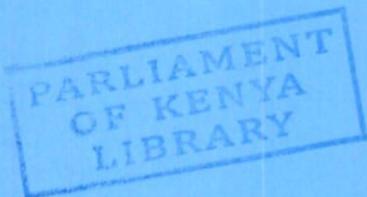
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OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

MURANG'A COUNTY ASSEMBLY CAR AND MORTGAGE LOAN SCHEME FUND

FOR THE YEAR ENDED 30 JUNE, 2019



**MURANG'A COUNTY ASSEMBLY CAR AND MORTGAGE
LOAN SCHEME 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)



Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

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Murang'a County Assembly Car and Mortgage Scheme Fund
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For the year ended June 30, 2019

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Murang'a County Assembly Car loan and Mortgage (Members) Scheme Fund is established by and derives its authority and accountability from Regulation 6 of the Public Finance Management (Murang'a County Assembly Car Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014. The Fund is wholly owned by the County Government of Murang'a and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Leonard Nduati Kariuki	Chairperson
2	Hon. Erick Kimani Kamande	Member
3	Mr. Peter Kimani Njuguna	Member
4	Hon. Catherine Wairimu Mugo	Member
5	Hon. Pelagiah Muthoni Maina	Member
6	Mr. Chris Kinyanjui	Secretary/ Clerk of the Assembly

d) Key Management

Ref	Name	Position
1	Hon. Erick Kimani Kamande	Chairperson
2	Hon. Simon Wamwea Mwaura	Member
3	Hon. David Irungu Macharia	Member
4	Hon. Eunice Kariuki Nduta	Member
5	Hon. Lilian Nyaguthii Kabaya	Member
6	Mr. Chris Kinyanjui	Secretary/ Clerk of the Assembly

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

e) Registered Offices

Murang'a County Assembly
P.O. Box 731-10200 Murang'a
Along Murang'a-Kiria-ini Road

f) Fund Contacts

Telephone: (254) 709802497
E-mail: murangacountyassembly@gmail.com
Website: www.assembly.muranga.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Murang'a Branch

h) Independent Auditors

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

i) Principal Legal Adviser

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

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

PASSPORT PHOTO	PROFILE
 <p>Hon. Leonard Nduati Kariuki, DSM, HSC, MCA. Speaker of the County Assembly and Chair of the County Assembly Service Board.</p>	<p>Hon. Leonard Nduati Kariuki is the second term Speaker of Murang'a County Assembly and the Chair of the Murang'a County Assembly Service Board. He holds a B.A in Land Economics from the University of Nairobi. He is a land economist by profession and a Member of the Institute of Surveyors of Kenya (ISK).</p> <p>He was the First Chair of the Constituency Development Fund (CDF) from 2003-2008, a role that involved management of its committees and establishment of systems and structures guided by the Constituency Development Act, 2003.</p> <p>Hon. Nduati Kariuki has been a two term Member of Parliament for Makuyu Constituency in Murang'a County and a former Assistant Minister for Finance and Agriculture.</p>
 <p>Hon Erick Kamande Kimani, MCA, Kahumbu Ward, Leader of the Majority Party.</p>	<p>Hon. Erick Kimani Kamande is the elected Member of the County Assembly representing Kahumbu Ward, the Leader of the Majority Party in the Assembly and a Member of the Murang'a County Assembly Service Board.</p> <p>He holds vast experience having been a Member of the First County Assembly of Murang'a and the Chair of the Public Accounts and Investment Committee of the First Assembly. He is a trained accountant and holds a Diploma in Business Management.</p>
 <p>Hon. Pelagiah Muthoni Maina, MCA Kakuzi Mitumbiri Ward</p>	<p>Hon. Pelagiah Muthoni Maina is an elected Member of the County Assembly representing Kakuzi Mitumbiri Ward and a Member of the Murang'a County Assembly Service Board.</p> <p>She is an IT expert and an approved ISO certified auditor with over 23 years of proven experience and visionary leadership. She has vast experience gained from recognized audit and management institutions she has previously served.</p> <p>Hon. Pelagiah Muthoni Maina was been instrumental in the formulation and review of the strategic plan for the Kenya Accountants and Secretaries National Examination Board (KASNEB) among other institutions of repute.</p>

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**



Hon. Catherine Wairimu Mugo

Hon. Catherine Wairimu Mugo is a resident of Murang'a County and a Member of the Murang'a County Assembly Service Board. She holds a Bachelor of Social Legislation, a Bachelor of Law and a post graduate Diploma in law from the Kenya School of Law.

She is an Advocate with over ten (10) years post admission experience, a former Member of the First County Assembly of Murang'a and a former Member of the Speaker's panel. She possesses good knowledge in public affairs, public participation, Assembly procedures, structures and statues relating to the County Government.



Hon. Peter Njuguna Kimani

Hon. Peter Njuguna Kimani is a Kenyan national and a resident of Murang'a County, presently awaiting graduation for a Master's Degree in Law at the University of Nairobi, with special bias in democracy and governance.

He is an Advocate with a good background in legal practice, but over time, building capacity and interest in socio-economic development, governance and agribusiness. He previously served as a Member of the First County Assembly Service Board of Murang'a for a period of four and a half years where he greatly assisted the Assembly in legal matters. He is also the former managing director of the Kenya Planters Co-operative Union (KPCU) an apex body of Kenyan planters with networks and branches all over the Country.

Mr. Peter Kimani has deliberately devoted part of his life to community development especially in areas of education for the less privileged, youth career coaching and Christian ministry.



**Mr. Chris Kamau Kinyanjui
Clerk of the County Assembly**

Chris Kinyanjui Kamau is the clerk of the County Assembly of Murang'a since June 2014. He is the accounting officer, the chief executive officer, and the secretary to the county assembly service board. He is the chief advisor to the Speaker on legislative procedures and practices.

He is an advocate of the High Court of Kenya and holds a Master's Degree in International Economic Law from the University of South Africa, a Bachelor's Degree in Law from the University of Nairobi and a Diploma in Laws from the Kenya School of Law.

Before joining the County Assembly, Mr Kinyanjui worked as a Senior Programme Officer with the National Council of Churches of Kenya for close to 10 years. Mr Kinyanjui is a Certified Public Secretary of Kenya.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

3. MANAGEMENT TEAM

PASSPORT PHOTO	PROFILE
 <p>Hon. Erick Kamande Kimani, MCA, Kahumbu Ward, Leader of Majority</p>	<p>Hon. Erick Kimani Kamande is the Chair of the Car Loan and Mortgage Committee.</p> <p>He is an elected Member of the County Assembly representing Kahumbu Ward, the Leader of the Majority Party in the Assembly and the Vice Chair of the Murang'a County Assembly Service Board.</p> <p>He holds vast experience having been a Member of the First County Assembly of Murang'a and the Chair of the Public Accounts and Investment Committee of the First Assembly. He is a trained accountant and holds a Diploma in Business Management.</p>
 <p>Hon. David Irungu Macharia, MCA Kambiti Ward</p>	<p>Hon. David Irungu Macharia is the Vice Chair of the Car Loan and Mortgage Committee.</p> <p>He is an elected Member of the County Assembly representing Kambiti Ward. He previously worked as a teacher and holds a Diploma in Civil Engineering from Western College of Arts and Applied Sciences, a Diploma in Business Management and a Certificate in Information Technology.</p>
 <p>Hon. Simon Mwaura Wamwea, MCA, Ng'araria Ward and the Chief Whip</p>	<p>Hon. Simon Mwaura Wamwea is a Member of the Car Loan and Mortgage Committee and the Chief Whip.</p> <p>He is an elected Member of the County Assembly representing Ng'araria Ward. He holds a Diploma in Theology, a Diploma in Management and a Certificate in Computer Studies.</p> <p>He was the former councilor representing Ng'araria under the defunct local government system and previously worked as a Member of the Community Development fund in Gatanga Constituency, Murang'a County.</p>
 <p>Hon. Lilian Nyaguthii Kabaya, Nominated MCA</p>	<p>Hon. Lilian Nyaguthii Kabaya is a nominated Member of the County Assembly and a Member of the Car Loan and Mortgage Committee.</p> <p>She holds a Master of Law Degree in Commercial and Corporate Law from the University of London, a Bachelor of Laws degree from the University of Nairobi; she is a Certified Public Secretary and a Certified Public Accountant.</p> <p>She has gained great experience over time in merger acquisitions and private equity covering both private and public organizations in local and regional markets.</p>

**Murang'a County Assembly Car and Mortgage Scheme Fund
 Reports and Financial Statements
 For the year ended June 30, 2019**

 <p>Hon. Eunice Nduta Kariuki, Nominated MCA</p>	<p>Hon. Eunice Nduta Kariuki is a Nominated Member of the County Assembly and a Member of the Car Loan and Mortgage Committee. She holds various certificates in governance and women empowerment programs from among other institutions the Education Centre for Women in Democracy.</p>
 <p>Mr. Chris Kamau Kinyanjui Clerk of the County Assembly and Secretary to the Car Loan and Mortgage Committee</p>	<p>Chris Kinyanjui Kamau is the clerk of the County Assembly of Murang'a since June 2014. He is the accounting officer, the chief executive officer, and the secretary to the county assembly service board. He is the chief advisor to the Speaker on legislative procedures and practices.</p> <p>He is an advocate of the High Court of Kenya and holds a Master Degree in International Economic Law from the University of South Africa, a Bachelor's Degree in Law from the University of Nairobi and a Diploma in Laws from the Kenya School of Law.</p> <p>Before joining the County Assembly, Mr Kinyanjui worked as a Senior Programme Officer with the National Council of Churches of Kenya for close to 10 years.</p> <p>Mr Kinyanjui is a Certified Public Secretary of Kenya.</p>

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

4. BOARD/FUND CHAIRPERSON'S REPORT

In the second Assembly the Murang'a County Assembly Service Board approved the appointment of the following members of the Board.

Ref	Name	Position
1	Hon. Leonard Nduati Kariuki	Chairperson
2	Hon. Erick Kimani Kamande	Vice Chairperson
3	Mr. Peter Kimani Njuguna	Member
4	Hon. Catherine Wairimu Mugo	Member
5	Hon. Pelagiah Muthoni Maina	Member
6	Mr. Chris Kinyanjui	Secretary/ Clerk of the Assembly

Signed: _____

Hon. Leonard Nduati Kariuki

Chairperson of the Board

5. REPORT OF THE FUND ADMINISTRATOR

The County Assembly established the Car and Mortgage Scheme fund for its members and staff.

The fund is established Pursuant to Section 116 of the Public Finance Management Act and the following Regulations that govern the fund.

- (i) The Public Finance Management (Murang'a County Assembly members' mortgage scheme fund regulations, 2014
- (ii) The Public Finance Management (Murang'a County Assembly members' car loan scheme fund regulations, 2014
- (iii) The Public Finance Management (Murang'a County Assembly mortgage (staff) scheme fund regulations, 2017
- (iv) The Public Finance Management (Murang'a County Assembly car loan (staff) scheme fund regulations, 2017

Signed:  _____ -

Annie Ngatha Macharia

Ag. Secretary/ Clerk of the Assembly

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

6. CORPORATE GOVERNANCE STATEMENT

Loan and Mortgage Management Committee meeting and the attendance:

Name	Position	Number of meeting		
		Held	Present	Absent
Hon. Erick Kimani Kamande	Chairperson	32	32	0
Hon. Simon Wamwea Mwaura	Member	32	31	1
Hon. David Irungu Macharia	Member	32	32	0
Hon. Eunice Kariuki Nduta	Member	32	32	0
Hon. Lilian Nyaguthii Kabaya	Member	32	30	2
Mr. Chris Kinyanjui	Secretary	32	32	0

7. MANAGEMENT DISCUSSION AND ANALYSIS

Murang'a County Assembly Car and Mortgage Loan Scheme Fund is established by and derives its authority and accountability from Public Finance Management (Murang'a County Assembly Members Car and mortgage Loan Scheme Fund) Regulations, 2014 on 31st December, 2014. The Fund is wholly owned by the County Government of Murang'a and is domiciled in Kenya

The management committee allocated funds to members considering;

- a) Duly filled application forms,
- b) Amount applied for by the member,
- c) A summarized assessment of the members' repayment capability over the last three months,
- d) A security provided and estimated value of such security. (The committee resolved that only valid certificates of title, either leasehold or freehold shall be accepted), and
- e) Duly executed transfer forms in favour of the County Assembly Service Board.

All the loans have been secured with title deeds, log books or leasehold properties certificates. All the car loans and mortgages have been insured. The insurance covers the following risks among others: loss of seat pursuant to Article 194 of the Constitution of Kenya, death and permanent disability. As a provisional measure, the committee retains 3 percent of the loan amount for the purposes of procuring the insurance cover.

The committee has faced some challenges in the management of the car and mortgage loans:

- a) Inadequate securities by some members. Some members have been unable to provide security while some are providing certificates which are not proof of title and title deeds which are not in their names.
- b) Inadequate understanding by members on the need to provide security for the loans.
- c) Inadequate awareness by the members on the procedure for applications of the loans.
- d) Inadequate skills of secretariat with regards to managing the accounts and books of the committee. The secretariat has had to learn most of the things on the job and as there were no reference point for most of the questions/ challenges the secretariat is faced with.
- e) Inadequate understanding by members on the mortgage process and the need to take time to establish uniform laid down procedures from the start to the end of the entire car loan/ mortgage process.
- f) Lack of adequate fund. The fund requires at least Kshs. 300,000,000 in order to be able to cater for all the members of the scheme.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the reporting period the fund trained the staff included in the management and the loan management committee. However, due to budgetary constraints no other CSR activities were undertaken.

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

The principal activity/mission/ mandate of the Fund is to provide a loan scheme for the purchase of vehicles by Members of the scheme and to provide a loan for the purchase, development, renovation or repair of residential property by the members of the scheme.

Trustees

In the second Assembly, the Murang'a County Assembly Service Board approved the appointment of the following members of the Board.

Ref	Name	Position
1	Hon. Leonard Nduati Kariuki	Chairperson
2	Hon. Erick Kimani Kamande	Member
3	Mr. Peter Kimani Njuguna	Member
4	Hon. Catherine Wairimu Mugo	Member
5	Hon. Pelagiah Muthoni Maina	Member
6	Mr. Chris Kinyanjui	Secretary/ Clerk of the Assembly

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Member of the Board

Date: 22/11/2019

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Public Finance Management (Murang'a County Assembly Car and mortgage Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014 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 and the Public Finance Management (Murang'a County Assembly Car and mortgage Loan (Members Scheme Fund) Regulations, 2014 on 31st December 2014.. 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

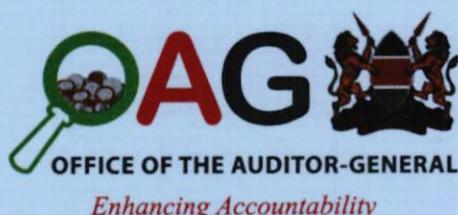
The Fund's financial statements were approved by the Board on 22/11/2019
and signed on its behalf by:



**Annie Ngatha Macharia
Administrator of the County Public Fund**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MURANG'A COUNTY ASSEMBLY CAR AND MORTGAGE LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Murang'a County Assembly Car and Mortgage Loan Scheme Fund, set out on pages 15 to 44, 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 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, the financial statements present fairly, in all material respects, the financial position of Murang'a County Assembly Car and Mortgage Loan 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 Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Murang'a County Assembly Car and Mortgage Loan Scheme 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

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 matters 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

Irregular Consolidation of Four Separate Funds

As previously reported, Murang'a County Assembly established four separate funds as follows:

- (i) County Assembly Members Car Loan Scheme Fund vide Legal Notice No. 1 of 2014;
- (ii) County Assembly Members Mortgage Scheme Fund vide Legal Notice No. 2 of 2014;
- (iii) Murang'a County Assembly Mortgage Staff Scheme Fund vide Legal Notice No. 2 of 2017; and
- (iv) Murang'a County Assembly Car Loan (Staff) Scheme Fund vide Legal Notice No. 3 of 2017.

The Fund Management, however, prepared and submitted to the Auditor-General one set of financial statements of the funds for the year ended 30 June, 2019, thereby consolidating the financial transactions of the funds. Although, the operations of the four funds are not distinct, no legislation has been passed for the consolidation of the four funds.

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 governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Murang'a County Assembly Car and Mortgage Loan Scheme Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability of Murang'a County Assembly Car and Mortgage Loan Scheme Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to

draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining 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 Murang'a County Assembly Car and Mortgage Loan Scheme 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

24 September, 2021

Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Note	FY 2018/2019	FY 2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
Total revenue from non-exchange transactions		-	-
Revenue from exchange transactions			
Interest income	4	5,835,001	3,643,885
Other income	5	1,921,892	4,827,482
Total revenue from exchange transactions		7,756,893	8,471,367
Total revenue		7,756,893	8,471,367
Expenses			
Fund administration expenses	6	3,737,248	869,600
Staff Costs	7	-	-
General expenses	8	2,113,835	360,151
Finance costs	9	-	-
Total expenses		5,871,083	1,229,751
Other gains/(losses)			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		1,905,810	7,241,616

**Murang'a County Assembly Car and Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2019**

12.2. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	FY 2018/2019 KShs	FY 2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	11	4,364,920	-10,172,053
Current portion of long term receivables from exchange transactions	12	78,137,385	25,885,196
Prepayments	13	-	-
Inventories	14	-	-
Total Current Assets		82,502,305	15,713,143
Non-current assets			
Long term receivables from exchange transactions	12	160,248,529	193,048,753
Total non - current assets		160,248,529	193,048,753
Total assets		242,750,834	208,761,896
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	5,910,888	5,379,539
Provisions	18	-	-
Current portion of borrowings	19	-	-
Cash and cash equivalents	11	11,551,778	
Employee benefit obligation	20	-	-
Total current liabilities		17,462,666	5,379,539
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
Total Non-current liabilities		-	-
Total liabilities		17,462,666	5,379,539
Net assets		225,288,168	203,382,357
Revolving Fund		215,341,552	195,341,552
Reserves		-	-
Accumulated Surplus		9,946,616	8,040,806
Total net assets		225,288,168	203,382,358

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 22/11/2019 and signed by:



Administrator of the Fund



Fund Accountant

**Murang'a County Assembly Car and Mortgage Scheme Fund
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12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT JUNE 30, 2019

	Revolving	Revaluation	Accumulated surplus	Total
	Fund	Reserve		
	KShs	KShs	KShs	KShs
Balance as at 1 July 2017	175,341,552	-	799,190	176,140,742
Surplus/(deficit) for the period	-	-	7,241,616	7,241,616
Funds received during the period	20,000,000	-	-	20,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	195,341,552	-	8,040,806	203,382,358
Balance as at 1 July 2018	195,341,552	-	8,040,806	203,382,358
Surplus/(deficit) for the period	-	-	1,905,810	1,905,810
Funds received during the period	20,000,000	-	-	20,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	215,341,552	-	9,946,616	225,288,168

Murang'a County Assembly Car and Mortgage Scheme Fund
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2.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	FY 2018/2019	FY 2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	5,835,001	3,643,885
Receipts from other operating activities	5	1,921,892	4,827,482
Total Receipts		7,756,893	8,471,367
Payments			
Fund administration expenses	6	3,757,248	869,600
Staff costs	7	-	-
General expenses	8	2,113,835	360,151
Finance cost	9	-	-
Total Payments		5,871,083	1,229,751
Net cash flows from operating activities	21	1,885,810	7,241,616
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		41,409,726	16,491,443
Loan disbursements paid out		-60,861,685	-160,389,069
Net cash flows used in investing activities		-19,451,959	- 143,897,626
Cash flows from financing activities			
Proceeds from revolving fund receipts		20,000,000	20,000,000
Additional borrowings		-	-
Changes in refundable deposits	17	531,349	5,379,539
Net cash flows used in financing activities		20,531,349	25,379,539
Net increase/(decrease) in cash and cash equivalents		2,965,200	- 111,276,471
Cash and cash equivalents at 1 JULY	11	-10,172,058	101,104,413
Cash and cash equivalents at 30 June	11	-7,206,858	-10,172,058

Reports and Financial Statements

For the year ended June 30, 2019

2.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED JUNE 30, 2019

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% Utilisation
	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019	FY 2018/2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-		-		-	
Interest income	6,000,000		6,000,000	5,835,001	164,999	97%
Other income	2,000,000	-	2,000,000	1,921,892	78,108	96%
Total income	8,000,000	-	8,000,000	9,847,168	352,832	
Expenses						
Fund administration expenses	3,800,000		3,800,000	3,737,248	62,752	98%
Staff costs	-	-	-	-	-	
General expenses	2,200,000	-	2,200,000	2,113,835	86,165	96%
Finance cost	-	-	-	-	-	
Total expenditure	6,000,000		6,000,000	5,871,083	148,917	98%
Surplus for the period	2,000,000	-	2,000,000	1,905,810	94,190	

2.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended June 30, 2019

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 27th June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12 of these financial statements.

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 an entity of financial assets is impaired. A financial asset or an 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 an 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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

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.

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 Public Finance Management (Murang'a County Assembly Members Car and Mortgage Loan Scheme Fund) Regulations, 2014 under the Ministry of Devolution and planning. Its ultimate parent is the County Government of Murang'a.

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.

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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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 KSh	Not performing KSh	Partially impaired KSh	Impaired KSh
At June 30, 2019				
Receivables from exchange transactions	238,385,914	238,385,914	0	0
Receivables from non-exchange transactions				
Bank balances	-7,186,858	-7,186,858	0	0
Total	231,199,056	231,199,056	0	0
At 30 June 30, 2018				
Receivables from exchange transactions	218,933,951	218,933,951	0	0
Receivables from non-exchange transactions				
Bank balances	-10,172,054	-10,172,054	0	0
Total	208,761,897	208,761,897	0	0

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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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies	Total
	KShs	KShs	KShs
At June 30, 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.

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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	0	0	0
USD	0	0	0
2018			
Euro	0	0	0
USD	0	0	0

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.

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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:

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	215,341,552	195,341,552
Accumulated surplus	9,946,616	8,040,807
Total funds	225,288,168	203,382,359
Total borrowings	-	-
Less: cash and bank balances	-7,186,858	- 10,172,054
Net debt/(excess cash and cash equivalents)	7,186,858	10,172,054
Gearing	-	-

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2.2. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

2. Transfers from County Government

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Transfers from County Govt. – operations	0	0
Payments by County on behalf of the entity	0	0
Total	0	0

3. Fines, penalties and other levies

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Total	0	0

4. Interest income

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Interest income from loans(mortgage and car loans)	5,835,001	3,643,885
Total interest income	5,835,001	3,643,885

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5. Other income

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Insurance recoveries	-	4,811,672
Professional services recoveries	1,908,948	-
Savings interest	12,944	15,810
Total other income	1,921,892	4,827,482

6. Fund administration expenses

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Loan processing costs	1,828,300	869,600
Professional services costs	1,908,948	-
Total	3,737,248	869,600

7. Staff costs

Description	FY 2018/2019 KShs	FY 2017/2018 KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	2,090,275	324,892
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	23,560	35,259
Total	2,113,835	360,151

9. Finance costs

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

10. Gain on disposal of assets

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Cash and cash equivalents

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Fixed deposits account		
On – call deposits		
Current account	4,364,920	- 10,172,053
Over-drawn account	-11,551,778	
Total cash and cash equivalents	-7,186,858	- 10,172,053

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

Financial institution	Account number	FY 2018/2019	FY 2017/2018
		KShs	KShs
a) Fixed deposits account			
Sub- total			
b) On - call deposits			
Sub- total			
c) Current account			
Kenya Commercial bank	1167298535	3,987,087	6,382,689
Family bank	006000027988	-5,921,747	- 14,899,836
Kenya Commercial bank	1167298179	- 5,630,031	- 3,047,646
Jamii Bora bank	30317342001	8,824	1,367,096
Jamii Bora bank	30317342002	-	-
Kenya Commercial bank	1167297733	369,009	25,644
Sub- total		-7,186,858	- 10,172,053
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total			
Grand total		-7,186,858	- 10,172,053

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	78,137,385	25,885,198
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	78,137,385	25,885,198
Non-Current receivables		
Long term loan repayments due	160,248,529	193,048,753
Total Non-current receivables	160,248,529	193,048,753
Total receivables from exchange transactions	238,385,914	218,933,951

13. Prepayments

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Total	0	0

14. Inventories

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Total inventories at the lower of cost and net realizable value	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due	78,137,385	25,885,198
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	78,137,385	25,885,198
Non-Current receivables		
Long term loan repayments due	160,248,529	193,048,753
Total Non-current receivables	160,248,529	193,048,753
Total receivables from exchange transactions	238,385,914	218,933,951

13. Prepayments

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Prepaid rent	0	0
Prepaid insurance	0	0
Prepaid electricity costs	0	0
Total	0	0

14. Inventories

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Total inventories at the lower of cost and net realizable value	0	0

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15. Property, plant and equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
At July 1, 2017					
Additions					
Disposals					
Transfers/adjustments					
At June 30, 2018					
At July 1, 2018					
Additions					
Disposals					
Transfer/adjustments					
At June 30, 2019					
Depreciation and impairment					
At July 1, 2017					
Depreciation					
Impairment					
At June 30, 2018					
At July 1, 2018					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At June 30, 2019					
Net book values					
At June 30, 2018					
At June 30, 2019					

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16. Intangible assets-software

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

17. Trade and other payables from exchange transactions

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Trade payables	2,090,275	
Refundable deposits	3,820,613	5,379,539
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	5,910,888	5,379,539

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Total provisions	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestics borrowings during the period	0	0
Balance at end of the period	0	0

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

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from 'zzz organisation'	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	FY 2018/2019	FY 2017/2018
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

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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				
Non-current benefit obligation				
Total employee benefits obligation				

21. Cash generated from operations

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Surplus for the year before tax	1,885,810	7,241,617
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	1,885,810	7,241,617

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) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Transfers from related parties'	20,000,000	20,000,000
Transfers to related parties	-	-

c) Key management remuneration

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	FY 2018/2019	FY 2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent liabilities	FY 2018/2019	FY 2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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13. 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 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)

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.