



Enhancing Accountability



PAPERS LAID	
DATE	16/11/2019
TABLED BY	DSM
COMMITTEE	
CLERK AT THE TABLE	<i>[Signature]</i>

PARLIAMENT
OF KENYA
LIBRARY

REPORT

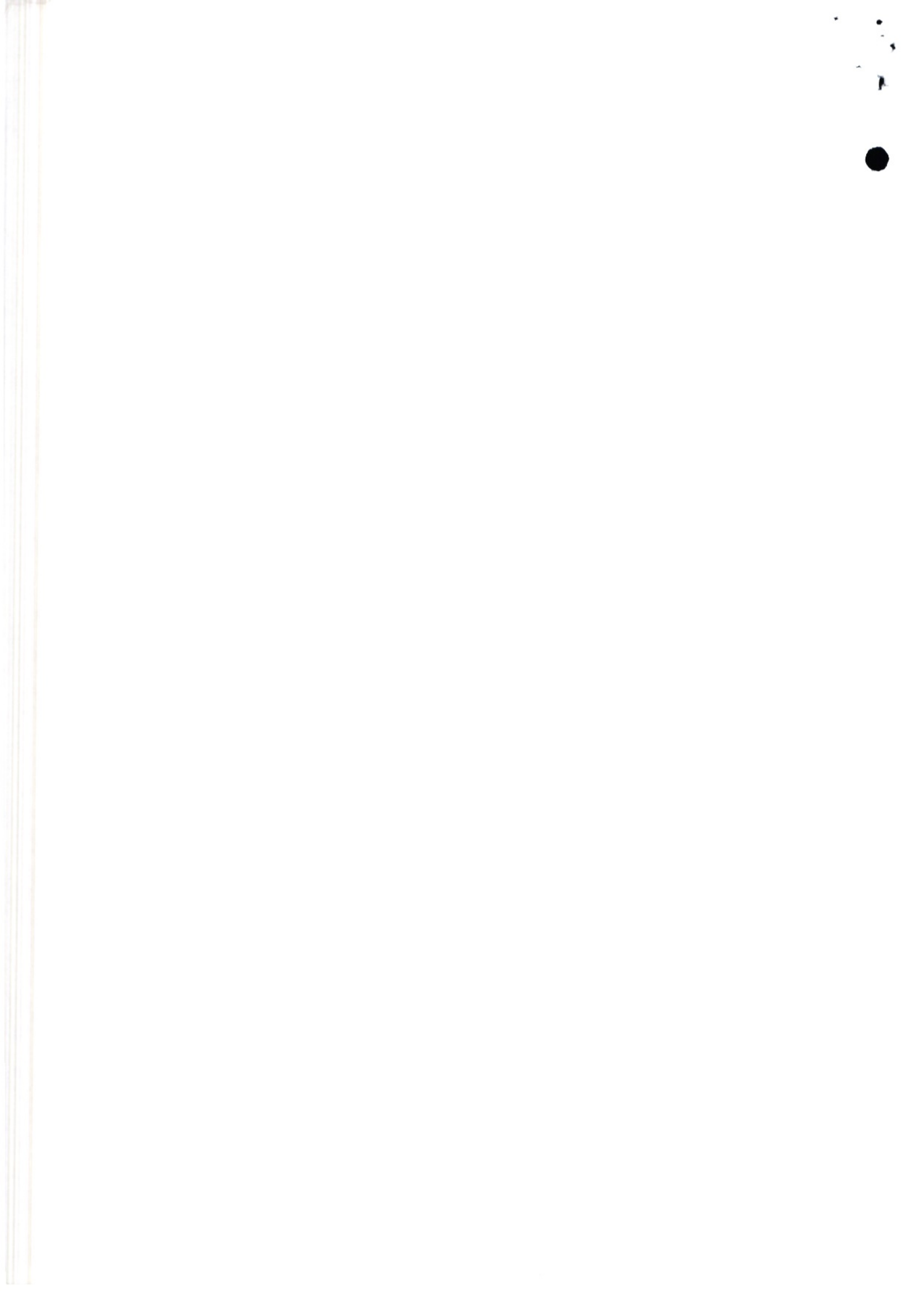
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE EIGHTEEN (18) MONTHS'
PERIOD ENDED 30 JUNE, 2019**





COUNTY ASSEMBLY OF EMBU MORTGAGE AND CAR LOAN FUND
REPORTS AND FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED
30TH JUNE 2019



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

TABLE OF CONTENTS

1. Key Entity Information and Management	3
2. Board of Trustees	5
3. Fund Chairperson's Report	8
a) Sustainability	8
b) Review of Performance	8
c) Future Outlook	8
d) Appreciation	9
4. Report of the Fund Administrator	10
a) Financial Performance	10
b) Conclusion	10
5. Corporate Governance Statement	11
a) The Fund Committee	11
b) Committee Meeting	11
c) Audit	11
d) Statement Of Compliance	11
e) Auditor	11
6. Statement of Management's Responsibilities	12
7. Report of The Independent Auditors on The Embu Car Loan and Mortgage Fund	14
8. Statement of Financial Performance For The Year Ended 30 th June 2019	15
9. Statement of Financial Position As At 30 th June 2019	16
10. Statement of Changes In Net Assets	17
11. Statement of Cash Flows	18
12. Statement of Comparison of Budget & Actual Amounts	19
13. Summary of Significant Accounting Policies	20
14. Notes on The Financial Statements	21

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The County Assembly of Embu Mortgage and Car loan scheme is a revolving fund established pursuant to Section 116 of the PFM Act and supplemented with the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012 mandates the Administrator of public funds with the responsibility of the preparation of annual financial statements.

For proper management of the fund and as advised by the SRC in the circular under the reference, County adopted the PFM regulations 2014 to guide in the operationalization of the fund. As advised by the SRC and as provided for under regulation 16 of the said regulations, the County Service Board appointed a banking institution to manage the fund.

The SRC in its circular reference SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014 provided guidelines for access of car loan and mortgage benefits by state and public officers. Arising there from, the County Assembly Service Board approved and adopted.

The fund is wholly owned by the county Assembly of Embu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the fund is to provide car and mortgage loans to members of the County Assembly.

c) Mortgage and Car loan Administration Committee.

The committee consists of the following members;

- | | | |
|--|---|--------------------|
| 1. Hon. Kariuki Michael Njeru | – | Chairman |
| 3. Hon. Muiriuki Masters Leonard Mwaniki | – | Member |
| 4. Hon. Njiru Paul Muchangi | – | Member |
| 5. Hon. Ireri Robert Njeru | - | Member |
| 6. Hon. Kimaru Salesio Njeru | – | Member |
| 7. Hon. Nzagngi Phillip Kinyutu | - | Member |
| 8. Mbaka John Ngari | - | Member |
| 9. Hon. Mwari Nathan Kariuki | – | Member |
| 10.Hon. Gakungugu Agnes Wanjiru | – | Member |
| 11.Hon. Mbugi Sicily Warue | – | Member |
| 12.Hon. Edith Wanjira Nyaga | – | Member |
| 13.Hon. Elizabeth Ndeleve Kibai | - | Member |
| 14.J. G Kauma | – | Fund Administrator |

SECRETARIAT

- | | |
|-------------------------|---------------------------------|
| 1. David Mwangi Githaga | Committee Clerk |
| 2. Josiah M. Karanja | Director - Finance and Accounts |
| 3. Kamau Wachiuri | Fund Accountant |

d) Registered Offices

Spring Valley Area
Along James Nyaga Crescent road
Opposite Faith House
P.O. Box 140-60100
Embu, KENYA

e) Fund Bankers

Family Bank
Embu branch
P.O. Box Embu, Kenya

f) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers
P.O. Box 30084 - 00100
Nairobi, Kenya

g) Principal Legal Adviser

The Director,
Litigation, Legal Compliance and Legislative Drafting
County Assembly of Embu
P. O. Box 140 Embu.

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019






2. BOARD OF TRUSTEES

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 Hon. Kariuki Michael Njeru.	MCA- Kithimu Ward. Leader of Majority Party Vice Chairperson – County Assembly Service Board Date of Birth : 6 th January 1969 Chairperson Selection, Appointments, Power and Privileges, Assembly Rules and Business.
 Hon. Muriuki Masters Leonard Mwaniki	MCA- Kiambere Ward Leader of Minority Party Date of Birth: 19 th May 1981 Chairperson Trade, Tourism Investment and Industrialisation
 Hon. Njiru Paul Muchangi	MCA – Gaturi North Date Of Birth : 12 th April 1981 Vice Chairperson Lands Physical Planning, Urban Development And Environment
 Hon. Robert Njiru Ileri	MCA – Kagaari South Ward Date of Birth: 6 th August 1977 Vice Chairperson Budget and Appropriation

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

	MCA – Kyeni South Date of Birth : 14 th November 1971
	MCA – Makima Ward Date Of Birth : 12 th December 1978 Member Speaker’s Panel Chairperson Public Accounts and Investment
	MCA – Mavuria Ward Date of Birth : 1 st January 1970 Chairperson Public Participation
	MCA – Nthawa Ward Date of Birth 16 th February 1980 Chairperson Water and Irrigation
	Nominated MCA Date Of Birth : 5 th April 1973 Chairperson Justice and Legal Affairs

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND
Reports and Financial Statements
For the period of 18 months ended June 30, 2019

	<p>Nominated MCA</p> <p>Date of Birth: 23rd March 1978</p> <p>Member of the Speaker's Panel</p>
	<p>Nominated MCA</p> <p>Date of Birth 17th October 1982</p> <p>Vice Chair Public Accounts and Investment</p>
	<p>Nominated MCA</p> <p>Date of Birth: 14th February 1979</p> <p>Chairperson Agriculture, Cooperatives, Fisheries and Livestock</p>
	<p>County assembly clerk</p> <p>Date of birth: 19th September 1981</p> <p>Masters degree in public policy and administration</p>

3. FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of CASBE, the Mortgage and Car loan fund report of the County Assembly, fund financial statements for the 18 months ended 30th June 2019. The financial statements present the financial performance of the fund over the past 18 months.

a) Sustainability

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

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

b) Review of performance

Income

During the period of 18 months the fund earned interest of Kshs 6,667,830. The Interest was charged on the issued loans at a rate of 3%.

Expenditure

Chapter 12 of the Service Agreement between the Family Bank and County Assembly stipulates that 2% of the Interest should be apportioned to the Bank as Fund Management expenses therefore Kshs 4,445,220 was transferred to the Bank for the same. Kshs. 1,255,900 was paid to the Committee in form of Sitting allowances. Bank ledger fees amounted to Kshs 136,180

The fund realized a surplus of Kshs 830,530

c) Future outlook.

The fund has a sound financial base and is expected to remain financially viable in future.

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

d) Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Assembly of Embu for the establishment of these funds that has really improved the welfare of MCAs and motivated all Honorable members as they perform their duties.

I look forward to your continued support in the year 2019/2020.

Signed:.....

Hon. Michael Kariuki Njeru.

Chairman Mortgage and Car Loan Committee

4. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the County Assembly of Embu Mortgage and Car loan Fund financial statements for the 18 months ended 30th June 2019. The financial statements present the financial performance of the fund over the past 18 months.

a) Financial Performance

The fund was established and started with an initial amount of Kshs 165,000,000 which was deposited at Family bank Embu branch.

The fund raised interest income of Kshs 6,667,830 for the eighteen months ended 30th June 2019. the total expenses were Kshs 5,837,300 leaving a surplus of Kshs 830,530

a) Loans

During the Eighteen months ended 30th June 2019, the fund disbursed loans to the Speaker, Members of the County Assembly and the CASBE members totaling to Kshs 185,000,000. The amounts were disbursed in different dates between January and December 2018. this mainly due to the reason that all MCAs and the board been newly elected or appointed had hence they were all due for car and mortgage loans.

Cash flows.

There was no cash flow problem during the period under review as the good portion of money required was available for members. However an amount of kshs 24,000,000. was not released by the Embu County Government as at 30th June 2019.

b) Conclusion

In general, the period under review was successful and good progress was made and the momentum has been created to enable County Assembly of Embu Mortgage and Car loan fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent year.

I take this opportunity to thank CASBE for their support. I would also want to thank all staff who we have worked hand in hand to ensure that of Embu Mortgage and Car loan fund achieves its objectives.

Signed: _____

Mr. Jim G. Kauma



5. CORPORATE GOVERNANCE STATEMENT.

a) THE FUND COMMITTEE

The County Assembly of Embu Car & Mortgage Fund scheme is a revolving fund established pursuant to Section 116 of the PFM Act and the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide car loans to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal

b) COMMITTEE MEETING

The committee meets as and when necessary to make various transactions as may be required.

c) AUDIT

The fund is subject to statutory audit by the office of auditor general in each financial or at any time when necessary to ensure compliance with the various statutory and regulatory requirements.

d) STATEMENT OF COMPLIANCE

The fund committee endeavors to ensure compliance with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

e) AUDITOR

The fund is audited by the office of Auditor General.

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND
Reports and Financial Statements
For the period of 18 months ended June 30, 2019

6. 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 eighteen months ended on June 30, 2019. This responsibility includes:

- ✓ maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ✓ maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- ✓ 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;
- ✓ safeguarding the assets of the Fund;
- ✓ selecting and applying appropriate accounting policies; and
- ✓ 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 judgments 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 period of 18 months 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.

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

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

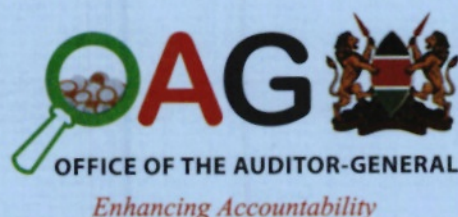
The Fund's financial statements were approved by the Board on 13/09/ 2019
and signed on its behalf by:



Jim G. Kauma
Mortgage and Car Loan Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF EMBU CAR LOAN AND MORTGAGE (MEMBERS) SCHEME FUND FOR THE EIGHTEEN (18) MONTHS' PERIOD ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund set out on pages 15 to 24, 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 period 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, County Government Act, 2012 and the Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund), 2019.

Basis for Adverse Opinion

1.0 Presentation of the Financial Statements

Section 3,7,8 and 9 of the County Public Funds and Boards Financial Reporting template for Financial year 2018-2019, under the International Public Sector Accounting Standards (IPSAS) Accrual Basis issued by the Public Sector Accounting Standards Board (PSASB) requires that the Fund's financial statements should include details of the management team, a management discussion and analysis, corporate social responsibility statement/sustainability report and report of the trustees respectively. However, these reports, statements and analysis are not included in the Fund's financial statements.

Further, the Fund is known as County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund as per the Public Finance Management (County Assembly of

Report of the Auditor-General on County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund for the Eighteen (18) Months' period ended 30 June, 2019

Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2019. However, the cover page of the financial statements refers the Fund as County Assembly of Embu Mortgage and Car Loan Fund and the header refers the Fund as County Assembly of Embu Car & Mortgage Fund. In addition, the statement of financial performance is reflected as relating to the year ended 30 June, 2019. However, the financial statements are for a period of eighteen (18) months and therefore the statement ought to be for the eighteen (18) months' period ended 30 June, 2019.

In view of above, the Fund's financial statements for the period ended 30 June, 2019 have not been prepared in accordance with the prescribed PSASB format.

2.0 Accuracy of the Financial Statements

2.1 Non-Submission of Financial Statements for Previous Years

The Fund commenced operations in June, 2014 during the term of the first County Assembly. During the initial years (2014-2018), the County Assembly of Embu Car Loan and Mortgage (Members) Scheme Fund operated as two distinct Funds namely 'Car Loan Fund' and 'Mortgage Scheme Fund' with each Fund having its own distinct regulations both enacted in 2014. However, and as previously reported, the financial statements of the two Funds for the financial years 2014/2015 to 2017/2018 were not submitted to the Auditor General contrary to Section 47(1) of the Public Audit Act 2015 which states that "the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the financial year to which the accounts relate".

Further, the eighteen (18) months' financial statements under review, were prepared under new regulations enacted in January, 2019, now combines both the Mortgage Scheme Fund and Car Loan Fund as one Fund account and are prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS). However, in the absence of the previous years' financial statements, the source and accuracy of the fund balance brought forward reflected in the statement of financial position could not be ascertained.

In the circumstances, it has not been possible to confirm source and accuracy of the opening balances for the period under review.

2.2 Interest Income

The statement of financial performance for the period ended 30 June, 2019 reflects Kshs.6,667,830 in respect to interest income while the supporting schedule reflects Kshs.6,656,948 resulting to an unexplained and unreconciled variance of Kshs.10,882.

2.3 Outstanding Loans

The statement of financial position as at 30 June, 2019 reflects Kshs.126,064,316 in respect to outstanding loan balances while the supporting schedule reflects

Kshs.126,527,435 resulting to an unexplained and unreconciled variance of Kshs.463,119.

2.4 Suspense Account

The statement of financial position reflects Kshs.137,089 in respect to suspense account which remained un-cleared as at 30 June, 2019.

In view of all the above, the validity, accuracy and completeness of the financial statements for the period under review could not be confirmed.

3.0 Family Bank Management Expenses

The statement of financial performance reflects Kshs.4,445,220 in respect to management fees paid to the Family Bank as an appointed financial institution to administer the Fund for the period ended 30 June, 2019.

Clause 3.3 (i) of Fund Management Agreement between Family Bank Limited and County Assembly Service Board of Embu stipulates that the appointed financial institution shall submit to the Board a status update on a monthly basis and if and when need arises keep or cause to be kept such books, records and statements as may be necessary to give a complete record of the Fund account movement both for the Fund and for borrowers.

However, the Fund Management did not provide monthly update reports, books, records and Fund account movement for borrowers from the appointed administrator.

In the circumstances, the propriety, authenticity and value for money for the management expenditure of Kshs.4,445,220 for the period ended 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Assembly of Embu Car Loan and Mortgage (Members) 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 adverse 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. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Receipts Analysis

The statement of comparison of budget and actual amounts reflects budgeted receipts totaling to Kshs.254,604,124 but realized Kshs.230,604,124 for the period ended 30 June, 2019 resulting into a receipt under realization of Kshs.24,000,000.

In overall, the Fund under realized the budget to the tune of Kshs.24,000,000 which may be an indication of inadequate budget planning process.

1.2 Payments Analysis

The statement of comparison of budget and actual amounts reflects budgeted expenditure of Kshs.191,804,450 for the period ended 30 June, 2019, while the actual expenditure amounted to Kshs.190,837,300 resulting to under-absorption of Kshs.967,150.

The under absorption of Kshs.967,150 may have impacted negatively on delivery of services to the members of Embu County Assembly.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Advancement of Loans

Note 6 to the financial statements reflects Kshs.185,000,000 and Kshs.126,064,316 in respect to loans issued to members and outstanding loan balances as at 30 June, 2019 respectively.

However, there was no evidence provided for audit review to confirm how loans advanced were utilized contrary to the provisions of Section 12 of the Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2019 which states that a loan obtained under these regulations shall be utilized for purchase of a motor vehicle or development, purchase or renovation of property for use by the applicant or applicant's immediate family.

Further, ownership documents for vehicles and properties were registered in the name of member(s) only, contrary to provisions of Section 13(2) of Public Finance Management (County Assembly of Embu) Car Loan and Mortgage (Members) Scheme Fund Regulations, 2019 which states that in case of car loan, the log book of a vehicle subject to a loan from the Fund shall be issued jointly between the Board and the member of the Scheme and shall be kept in the custody of the officer administering the Fund until the loan is repaid in full by the member of the Scheme. Section 13(3) further states that in case of a mortgage facility, the Board shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property. In addition, no valuation reports and search documents for vehicles and properties were availed for audit review.

In the circumstances, the Fund Management is in breach of the regulations and validity and security of Kshs.126,064,316 outstanding loan balances as at 30 June, 2019 could not be confirmed.

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, because of the significance of the matters discussed in the basis for conclusion on Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

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 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 County Assembly Fund's ability to continue to sustain its 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 County Assembly Fund or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the County Assembly 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 County Assembly Fund's ability to continue as a going concern or 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 County Assembly Fund to cease to continue as a going concern or 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 County Assembly 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

22 October, 2021

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

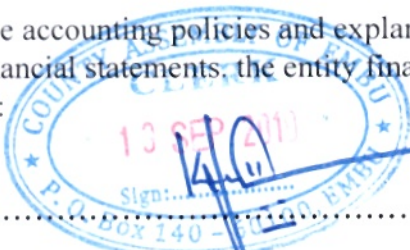
Reports and Financial Statements

For the period of 18 months ended June 30, 2019

8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2018-2019 Kshs
RECEIPTS		
Interest Income	1	6,667,830
TOTAL REVENUE		6,667,830
PAYMENTS		
Family Bank Management Expenses	2	4,445,220
Committee Expenses - Sitting Allowances	3	1,255,900
Ledger fees	4	136,180
TOTAL PAYMENTS		5,837,300
SURPLUS/DEFICIT		830,530

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.....13/9.....2019 and signed by:



.....
Fund Administrator

Name: Jim G. Kauma

.....
Fund Accountant

Kamau Wachiuri

ICPAK No. 8192

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

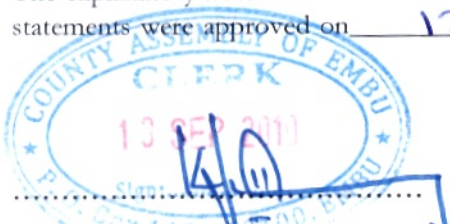
Reports and Financial Statements

For the period of 18 months ended June 30, 2019

9. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Note	2017-2018 Kshs
FINANCIAL ASSETS		
Cash and Cash Equivalents		
Bank Balances	5	39,903,913
Total Cash and cash equivalent		<u>39,903,913</u>
Outstanding Loans	6	126,064,316
Accounts Payables – Deposits and retentions		
TOTAL FINANCIAL ASSETS		<u>165,968,229</u>
REPRESENTED BY		
Suspense Account		137,089
Fund balance b/fwd	7	165,000,610
Surplus/Deficit for the year		830,530
Prior Year Adjustments		
NET FINANCIAL POSITION		<u>165,968,229</u>

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13/9 2019 and signed by:


 Fund administrator
 Name: Jim G. Kauma


 Fund Accountant
 Kamau Wachiuri
 ICPAK No. 8192

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND
Reports and Financial Statements
For the period of 18 months ended June 30, 2019

10. STATEMENT OF CHANGES IN NET ASSETS

	Capital Contribution Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 01/01/2018	165,000,610	-	165,000,610
Transfer From County Treasury Surplus/(deficit) for the period		830,530	830,530
Balance as at 30 JUNE 2019	165,000,610	830,530	165,831,140

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 ...13/9... 2019 and signed by:



.....
 Jim G. Kauma
 Fund Administrator

.....
 Kamau Wachuri
 Fund Accountant
 ICPAK membership No. 8192



COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND
Reports and Financial Statements
For the period of 18 months ended June 30, 2019

11. STATEMENT OF CASH FLOWS

		2018-2019
		Kshs
Receipts from operating income	NOTE	
Interest Income	1	6,667,830
Total Receipts		6,667,830
Payments		
Family bank Expenses	2	4,445,220
Committee Allowances	3	1,255,900
Ledger fees	4	136,180
Total Payments		5,837,300
Net Cash flows from operating Activities		830,530
CASHFLOW FROM INVESTING ACTIVITIES		
Disbursed Loans		
Proceeds from Loan Principal Repayments		58,935,684
Net cash flows from Investing Activities	5 -	
Suspense		137,089
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	-	
Cash and cash equivalent at BEGINNING of the year		165,000,610
Cash and cash equivalent at END of the year	5	39,903,913

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13/9 2019 and signed by:



Fund administrator
 Name: Jim G. Kauma



Fund Accountant
 Kamau Wachui
 ICPAK No. 8192
 Date: Sign:

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND
Reports and Financial Statements
for the period of 18 months ended June 30, 2019



12. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% Utilization difference
	a	b	c=a+b	d	e=c-d	f=(d/c*%)
RECEIPTS	KShs	KShs	KShs	KShs	KShs	
Transfers from the County Treasury/Exchequer Releases	24,000,000.00		24,000,000.00		24,000,000.00	0%
Proceeds from loans repayments	58,935,683.75		58,935,683.75	58,935,683.75	0.00	100%
Interest Income	6,667,830.00		6,667,830.00	6,667,830.25	0.25	
Other Receipts (Funds in Bank)	165,000,610.00		165,000,610.00	165,000,610.00		100%
TOTAL	254,604,123.75	-	254,604,123.75	230,604,124.00	23,999,999.75	91%
PAYMENTS						
Loans Disbursed	185,000,000.00		185,000,000.00	185,000,000.00		100%
Family Bank Management Fees	4,445,200.00		4,445,200.00	4,445,220.16	20.16	100%
Committee Sitting Allowances	2,222,610.08		2,222,610.08	1,255,900.00	966,710.08	57%
Ledger Fees	136,640.00		136,640.00	136,180.00	460.00	100%
Total payments	191,804,450.08	-	191,804,450.08	190,837,300.16	967,149.92	99%
SURPLUS/ DEFICIT	62,799,673.67	-	62,799,673.67	39,766,823.84	23,032,849.83	63%

The entry financial statements were approved on 13/9/2019 and signed by:



 Fund Administrator
 Name: Jim G. Kauma


 Fund Accountant
 Kamau Wachuri
 ICPAK No. 8192


13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Revenue recognition

Interest income

The fund main source of revenue is the interest income earned from the Bank Account balances at the bank.

The interest is calculated at 3% of the amount at bank in a specified period.

The fund uses Accrual Basis of Accounting and hence Revenue is recognized when earned and not when received.

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.

a) Current assets

This include debts receivable at the end of the year.

b) Contingent liabilities.

The fund has no contingent liabilities.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Bank account balances include amounts held at Family Bank, Embu branch for the last Eighteen months.

d) Events after the reporting period

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

e) Currency

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

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

14. NOTES ON THE FINANCIAL STATEMENTS

1	INTEREST INCOME		
			2018-2019
	Date		Amount
	01/01/2018	Interest Received	343,750.00
	02/01/2018	Interest Received	397,534.44
	03/01/2018	Interest Received	412,697.14
	04/01/2018	Interest Received	412,406.96
	05/01/2018	Interest Received	406,947.87
	06/01/2018	Interest Received	398,918.87
	07/01/2018	Interest Received	392,119.80
	08/01/2018	Interest Received	384,012.26
	09/01/2018	Interest Received	375,884.45
	10/01/2018	Interest Received	367,736.32
	11/01/2018	Interest Received	362,067.82
	12/01/2018	Interest Received	356,318.85
	01/01/2019	Interest Received	347,987.26
	02/01/2019	Interest Received	359,634.85
	05/01/1900	Interest Received	350,784.40
	04/01/2019	Interest Received	341,911.82
	05/01/2019	Interest Received	333,017.07
	06/01/2019	Interest Received	324,100.08
			6,667,830
2	FAMILY BANK MANAGEMENT EXPENSES		
	Date	Details	Amount
	Jan-18	Management Expenses	229,166.67
	Feb-18	Management Expenses	265,022.96
	Mar-18	Management Expenses	275,131.43
	Apr-18	Management Expenses	274,937.97
	May-18	Management Expenses	271,298.58
	Jun-18	Management Expenses	265,945.92
	Jul-18	Management Expenses	261,413.20
	Aug-18	Management Expenses	256,008.17
	Sep-18	Management Expenses	250,589.63
	Oct-18	Management Expenses	245,157.55
	Nov-18	Management Expenses	241,378.55

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

	Dec-18	Management Expenses	237,545.90	
	Jan-19	Management Expenses	231,991.51	
	Feb-19	Management Expenses	239,756.56	
	Mar-19	Management Expenses	233,856.26	
	Apr-19	Management Expenses	227,941.22	
	May-19	Management Expenses	222,011.38	
	Jun-19	Management Expenses	216,066.72	
			4,445,220.16	
3	COMMITTEE EXPENSES			
			2018 - 2019	
	11/12/2018	Committee Allowances	816,200.00	
	20/12/2018	Committee Allowances	109,200.00	
	21/12/2018	Committee Allowances	330,500.00	
			1,255,900	
4	LEDGER FEES			
	1-Jan-18	Ledger fees due	6,820	
	1-Feb-18	Ledger fees due	7,480	
	1-Mar-18	Ledger fees due	7,480	
	1-Apr-18	Ledger fees due	7,480	
	1-May-18	Ledger fees due	7,480	
	1-Jun-18	Ledger fees due	7,480	
	1-Jul-18	Ledger fees due	7,480	
	1-Aug-18	Ledger fees due	7,480	
	1-Sep-18	Ledger fees due	7,480	
	1-Oct-18	Ledger fees due	7,480	
	1-Nov-18	Ledger fees due	7,480	
	1-Dec-18	Ledger fees due	7,480	
	1-Jan-19	Ledger fees due	7,480	
	1-Feb-19	Ledger fees due	7,920	
	1-Mar-19	Ledger fees due	7,920	
	1-Apr-19	Ledger fees due	7,920	
	1-May-19	Ledger fees due	7,920	
	1-Jun-19	Ledger fees due	7,920	
			136,180	

COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND

Reports and Financial Statements

For the period of 18 months ended June 30, 2019

5 CASH AND BANK BALANCES				
Name of Bank, Account Number				
			2018 - 2019	
			Kshs	
CAE Car and Mortgage Account - 075000028013			38,937,211	
CAE Interest Account - 070000042338			966,701	
Total			39,903,913	
6 OUTSTANDING LOAN BALANCES				
	NAME	Loan Issued	Principal Repaid	Outstanding Balance
	Agnes Wanjiru Gakungu	5,000,000	1,661,875.64	3,338,124
	Bernard Nyaga Kandia	5,000,000	1,661,875.64	3,338,124
	Duncan Ileri Mbui	5,000,000	1,661,875.64	3,338,124
	Ednah Kanini Muisyo	5,000,000	1,661,875.64	3,338,124
	Fredrick Mugendi Gatumu	5,000,000	1,661,875.64	3,338,124
	John Gichovi Gatumu	5,000,000	1,661,875.64	3,338,124
	Jane Ann Muthoni Murithi	5,000,000	1,661,875.64	3,338,124
	Judy Mbuya Njue	5,000,000	1,661,875.64	3,338,124
	Kisingu John Harrison	5,000,000	1,661,875.64	3,338,124
	Margaret Lorna Kariuki	5,000,000	1,661,875.64	3,338,124
	Michael Njeru Kariuki	5,000,000	1,661,875.64	3,338,124
	Morris Muchiri Nyaga	5,000,000	1,661,875.64	3,338,124
	Murithi Njagi Kiura	5,000,000	1,661,875.64	3,338,124
	Patrick Njeru Mukavi	5,000,000	1,661,875.64	3,338,124
	Patrick Rugendo Ileri	5,000,000	1,661,875.64	3,338,124
	Paul Muchangi Njiru	5,000,000	1,661,875.64	3,338,124
	Peter Muriithi Nyaga	5,000,000	1,661,875.64	3,338,124
	Robert Njiru Ileri	5,000,000	1,661,875.64	3,338,124
	Rose Ruguru Kinyua	5,000,000	1,661,893.82	3,338,106
	Salesio Njeru Kimaru	5,000,000	1,661,875.64	3,338,124
	Sisily Ruguru Njiru	5,000,000	1,661,875.64	3,338,124
	Sicily Warue Mbugi	5,000,000	1,661,875.64	3,338,124
	Steve Munene Mugendi	5,000,000	1,661,875.64	3,338,124
	Elizabeth Ndeleve Kibai	5,000,000	1,682,688.42	3,317,312
	Newton Kariuki Ndwiga	4,000,000	1,330,309.57	2,669,690
	John Ngari Mbaka	4,000,000	1,173,655.22	2,826,345



COUNTY ASSEMBLY OF EMBU CAR & MORTGAGE FUND**Reports and Financial Statements****For the period of 18 months ended June 30, 2019**

	Nathan Kariuki	5,000,000	1,477,420.98	3,522,579
	Edith Wanjira Nyaga	5,000,000	1,579,479.66	3,420,520
	Martin Mwangi Kimani	5,000,000	1,611,822.26	3,388,178
	Philip Kinyutu Nzangi	5,000,000	1,611,822.26	3,388,178
	Terry C Wanja Mbuchi	5,000,000	1,611,822.26	3,388,178
	Masters Leonard Mwaniki	4,000,000	1,280,997.04	2,719,003
	Harrison Sammy Muturi	5,000,000	1,600,270.68	3,399,729
	Josiah Muriithi Thiriku	15,000,000	4,793,154.08	10,206,846
	Polly Kagendo Njagi	4,000,000	479,541.72	3,520,458
	Patrick Njeru Nyaga	4,000,000	479,541.72	3,520,458
		185,000,000.00	58,935,683.75	126,064,316.25

100

100

100

100

100

100

100

100

100

100