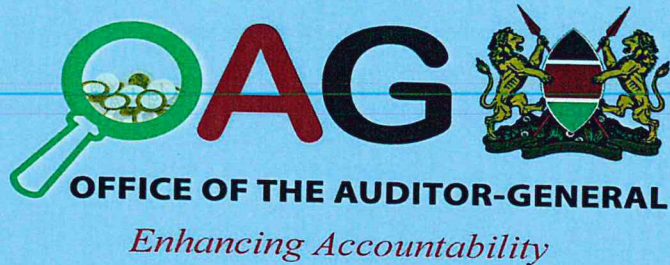


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	GETRUDE

**KIAMBU COUNTY ASSEMBLY STAFF
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL
CENTRAL HDP

29 JAN 2021

RECEIVED
P. O. Box 267 - 10100, NYERI



**KIAMBU COUNTY ASSEMBLY.
KIAMBU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. STAFF LOAN MANAGEMENT COMMITTEE	5
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	7
4. MANAGEMENT TEAM	9
5. FUND CHAIRPERSON'S REPORT	10
6. REPORT OF THE FUND ADMINISTRATOR	11
7. CORPORATE GOVERNANCE STATEMENT	13
8. MANAGEMENT DISCUSSION AND ANALYSIS	16
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	17
10. REPORT OF THE FUND ADMINISTRATION COMMITTEE	19
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	20
12. REPORT OF THE INDEPENDENT AUDITOR	21
13. FINANCIAL STATEMENTS	22
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020	22
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020.....	23
13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020.....	25
13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020.....	26
13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020	28
13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	29
13.7. NOTES TO THE FINANCIAL STATEMENTS	44
14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	57

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kiambu County Assembly Staff Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management Act (Kiambu County Assembly Staff Mortgage Scheme regulations, 2016). The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The fund's objective is to provide a mortgage to the staff of the County Assembly to purchase, develop, renovate, and or repair residential property.

b) Principal Activities

The principal activity is to provide mortgage to staff of the county Assembly.

The Kiambu County Assembly Vision, Mission and Core Values:

Vision

To be a vibrant, value-oriented, quality driven and people responsive County Assembly in Kenya.

Mission

Transformative, efficient, effective and democratic discharge of representation, legislative, and oversight mandates.

Core values

1. Independence
2. Integrity
3. Openness
4. Professionalism
5. Concern
6. Equity & unity in diversity

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

c) Loan Managements Committee

Ref	Name	Position
1	Mr. Simon Kimani Rugu	Fund Administrator
2	Mr. James Methu Michire	Chairperson, Loan Management Committee
3	Mr. Flavian Kung'u Gatimu	Member, Loan Management Committee
4	Ms. Angela Wanjiru Kagunyi	Member, Loan Management Committee
5	Mr. Stephen Kariuki Gatuha	Member, Loan Management Committee
6	Ms. Eva Wanjiru Kamau	Member, Loan Management Committee
7	Mr. Godfrey Muriuki	Member, Loan Management Committee

d) Key Management

Ref	Name	Position
1	Mr. Simon Kimani, Rugu	Fund Administrator.
2	Mr. Flavian Kung'u, Gatimu	Fund Accountant.
3	Mr John Ichamugo, Mugo	Accounttant.

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

e) Registered Offices

P.O. Box 1492-00900
Kiambu, Kenya
Kiambu Assembly Buildings

f) Fund Contacts

Telephone: (254) 0675860000
E-mail: info@kiambuassembly.go.ke
Website: www.kiambuassembly.go.ke

g) Fund Bankers

Kenya Commercial Bank
P.O.Box 81-00900
Nairobi, Kenya
Kiambu Branch, Kenya





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

2. STAFF LOAN MANAGEMENT COMMITTEE

Name	Details of qualifications and experience
<p>1. Mr.Simon Kimani Rugu</p> 	<p>Fund Administrator, Loans Committee.</p> <p>Mr. Simon Kimani Rugu is the clerk of the County Assembly of Kiambu and the fund administrator with work experience of 12 year in the public sector. He was born in 1981.He holds Masters of Arts in Social Transformation (Governance) and Bachelor of Arts in Social Communication from Catholic University.</p>
<p>2. Mr.James Methu Michire</p> 	<p>Chairperson, Loan Management Committee.</p> <p>Mr. James Methu Michire was nominated by the members of staff to be their representative in adherence to the County Assembly of Kiambu Staff Mortgage Act having work experience of 9 year in the public sector. He was born in January 25th, 1982 .He holds a Bachelor of Arts (Economics and Sociology) – Egerton University.</p>
<p>3. Mr.Flavian Kung'u Gatimu</p> 	<p>Secretary, Loan Management Committee</p> <p>Mr.Flavian Kung'u Gatimu is the Director, Finance and Accounts with 16 years' experience in the Accounting field. He was born in May 27th, 1978.He holds master in business administration (Finance) and degree in bachelor commerce from University of Nairobi and Catholic University respectively. He is also a Certified Public Accountant.</p>
<p>4. Ms. Angela Wanjiru Kagunyi</p> 	<p>Member, Loan Management Committee.</p> <p>Ms. Angela Wanjiru Kagunyi is the Principal Clerk Assistant with work experience of 7 years in the public sector .She was born in November 27th, 1989 .She holds bachelor of law degree from Catholic University of Eastern Africa.</p>
<p>5. Mr. Stephen Kariuki Gatuha</p>	<p>Member, Loan Management Committee.</p>

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

	<p>Mr. Stephen Kariuki Gatuha is the Director of Administrative Services and Human Resource with work experience of 20 years. He was born in April 23rd, 1974. He is a certified professional mediator, he holds an Executive Certificate in labour law from IHRM, Diploma in Human Resource Management from Kenya Institute of Management, a bachelor degree In Human Resource Management from Kenya University and he is a licenced human resource practioner by International Human Resource Management.</p>
<p>6. Ms. Eva Wanjiru Kamau</p> 	<p>Member, Loan Management Committee.</p> <p>Ms. Eva Wanjiru Kamau is the Principal Procurement Officers with work experience of 10 years. She was born in May 6th, 1987. She holds a certificate in Purchasing and Supplies Management from Kenya Institute of Management, Bachelor of Commerce –Finance from Kenyatta University and Master of Science in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology.</p>
<p>7. Mr. Godfrey Muriuki</p> 	<p>Member, Loan Management Committee.</p> <p>Mr. Godfrey Muriuki, is the Legal counsel for the County Assembly Of Kiambu with work experience of 10 years. He was born in February 27th, 1989. He holds a LLB(hons) from Catholic University of Eastern Africa, diploma in Law from Kenya school of law and CPS Section (i and ii)</p>

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S
PREDETERMINED OBJECTIVES**

Introduction

Section 167 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key mandate of the County Assembly of Kiambu is legislation, oversight, and representation.

The Kiambu County Assembly Staff Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management Act (Kiambu County Assembly Staff Mortgage Scheme regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The key objectives of the Kiambu County Assembly Staff Mortgage Scheme fund, for 2019-2020 is to provide a mortgage to the staff of the County Assembly to purchase, develop, renovate, and or repair residential property.

The budgeted housing loan to public servants for the financial year 2019/2020 was Kshs. 50,000,000 with an additional amount of Kshs 30,000,000 in the supplementary budget. The Fund received Exchequer releases from the County Treasury for the financial year 2019/2020 totaling Kshs 50,000,000 (Fifty Million only).

The fund is experiencing some financial challenges including:

1. Low budgetary allocations for a housing loan to public servants considering the number of mortgage applicants has significantly increased.
2. Delays in the release of Exchequer.

However, his challenges can be mitigated by increasing budgetary allocations for a housing loan to public servants as well as the timely release of the exchequer to ensure staff benefit in the financial year




Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
1.Kiambu County Assembly Staff Mortgage Scheme fund	The objective of the fund is to provide a mortgage to the staff of the County	Increased member of staff who have benefited with mortgage to enable them	In the financial year 2019/20 thirteen (13) members of staff benefited with mortgage loans	The County Assembly of Kiambu advanced mortgage loans to thirteen (13)

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

	Assembly to purchase, develop, renovate, and or repair residential property	purchase, develop, renovate, and or repair residential property	disbursement amounting to Kshs 43,301,692.00 (Forty-Three Million Three Hundred and One Thousand Six Hundred and Ninety Two)	members of staff representing 17 % of total staff (75) for the financial year 2019/2020
--	---	---	--	---

4. LOAN MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1.Mr.Simon Kimani Rugu</p> 	<p>Fund Administrator, Loans Committee.</p> <p>Mr. Simon Kimani Rugu is the clerk of the County Assembly of Kiambu and the fund administrator with work experience of 12 year in the public sector. He was born in 1981.He holds Masters of Arts in Social Transformation (Governance) and Bachelor of Arts in Social Communication from Catholic University.</p>
<p>2.Mr.Flavian Kung'u Gatimu</p> 	<p>Secretary, Loan Management Committee</p> <p>Mr.Flavian Kung'u Gatimu is the Director, Finance and Accounts at the County Assembly of Kiambu with 16 years' experience in the Accounting field. He was born in May 27th, 1978.He holds master in business administration (Finance) and degree in bachelor commerce from University of Nairobi and Catholic University respectively. He is also a Certified Public Accountant and registered member of ICPAK (21864)</p>
<p>3. Mr.John Ichamugo Mugo</p> 	<p>Mr.John Ichamugo Mugo is an accountant at the County Assembly of Kiambu with more than 5 years' experience in the accounting field. He was born on January 30th, 1989. He holds a bachelor's degree in Finance And Banking from Moi University. He is a Certified Public Accountant and a registered members if ICPAK (24172)</p>

5. FUND CHAIRPERSON'S REPORT

Put a forward note by the Chairperson of the corporate governance body responsible for the Public

It is my pleasure to present, on behalf of the loan management committee, the County Assembly of Kiambu Staff Mortgage financial statements for the year ended June 30, 2020. The financial statements present the financial performance of the fund over the past year.

The County Assembly of Kiambu established and enacted the (Kiambu County Assembly Staff Mortgage Scheme Fund) regulation 2016 in adherence to the Public Finance Management Act.

The objective and purpose of the fund is to provide loans to Members of Staff to enable them to purchase, develop, renovate, and or repair residential properties.

In the financial year, 2019/2020, 13 members of staff applied and were granted Mortgage loan which translates to 17% of total membership (75).

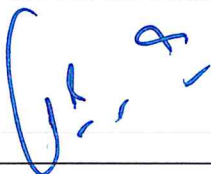
Proper and adequate financial systems and measures have been put in place to ensure efficient control that warrants prompt recoveries through the check-off system to safeguard the utilization of public resources.

It is remarkable what the committee has accomplished not only in terms of financial performance (Staff Mortgage Loan) but in our steadfast dedication in ensuring that all members of staff benefit from the fund through continuous sensitization on mortgage.

The fund is experiencing some financial challenges through low budgetary allocations a situation that the County Assembly Service Board is addressing.

Special thanks to the County Assembly Service Board, the Loans Management Committee and the members of staff for the continued support.

Signed: _____



James Methu Michire

6. REPORT OF THE FUND ADMINISTRATOR

The Kiambu County Assembly Staff Mortgage Regulation was operationalized in 2016. It complies with the provisions of the PFM Act and is funded from the County's budget Estimates.

The Staff Mortgage Scheme Fund was established under Salaries and Remuneration Commission circular No.SRC/TS/WB/314 of February 2014.

For the good management of the fund as advised by the Salaries and Remuneration Commission, the County Assembly of Kiambu adopted the Public Finance Management Act (Kiambu County Assembly Staff Mortgage Scheme) regulation 2016 to guide the operationalization of the fund.

The fund objective is to provide a mortgage to members of staff to purchase, develop, renovate, and or repair a residential property subject to provision of the Public Finance Management Act, 2016.

The Loan Management Committee initiated a transformation that is bringing positive results to the staff of the County Assembly of Kiambu by extending the mortgage facilities.

The fund has continued to grow over the years and the management has put measures in place to The management has put in place measures to safeguard loss of public resources, by ensuring Staff Properties are jointly secured by the applicant and County Assembly of Kiambu and ensuring we comply with statutory requirements and day to day running of the fund and timely remittances of the recoveries.

The fund has advanced Mortgage to 13 members of staff representing 17 % of total membership for the financial year 2019/20. It should be noted that this was achieved while complying with the prerequisites procedures, laid down laws and regulations.

The budgeted housing loan to public servants for the financial year 2019/2020 was Kshs. 50,000,000 with an additional amount of Kshs 30,000,000 in the supplementary budget. The Fund received Exchequer releases from the County Treasury for the financial year 2019/2020 totalling to Kshs 50,000,000 (Fifty Million only).

Considering there was an increase in number of staff mortgage beneficiaries the current portion of long term receivables from exchange transaction for the financial year 2019/20 has increased to Kshs 4,273,960 compared to the financial year 2018/19 of Kshs 1,900,509.60

The long term portion of long term receivables from exchange transaction for the financial year 2019/20 has increased to Kshs 75,659,653 compared to the financial year 2018/19 of Kshs 36,713,529.69

The staff has been sensitized on purpose, the objective of the fund, and due to this, it has led to an increase in disbursement amounting to Kshs 43,301,692.00 (Forty-Three Million Three Hundred

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

and One Thousand Six Hundred and Ninety Two) for the year 2019/20 compared to financial year 2018/19 where staff mortgage disbursement was 11,250,000 (Eleven million two hundred and fifty thousand)

We have advanced Mortgage to 13 members of staff representing 17 % of total staff for the financial year 2019/2020. It should be noted that this was achieved while complying with the prerequisites procedures, laid down laws and regulations.

This has been another successful year. We continue to grow and have our staff at heart in everything we do.

Signed: _____



Simon Kimani Rugu

7. CORPORATE GOVERNANCE STATEMENT

The Staff Mortgage Scheme Fund was established pursuant to Salaries and Remuneration Commission circular No.SRC/TS/WB/314 of February 2014.

There is an established staff Mortgage Loan Management Committee. A statement of the County Assembly of Kiambu full corporate governance practices is set out below;

ROLE AND RESPONSIBILITIES OF THE STAFF LOAN MANAGEMENT COMMITTEE

The staff loan management operates in accordance with the broad principles set out in the section 116 of the Public Finance Management Act and is responsible for:

- (a) Receiving and analysing reports from the officer administering the Fund;
- (b) Endorsing loan application forms;
- (c) Advising on any additional funds that may be required for the fund;
- (d) Liaising with the mortgage company (if any) to set up a revolving fund for the disbursement of the loans; and
- (e) Performing any other function that may be necessary for the administration of the loan.

APPOINTMENT OF STAFF LOAN MANAGEMENT COMMITTEE

Notwithstanding Regulation 9(1), the County Executive Committee Member may, in consultation with the fund administrator, appoint a Committee to manage the Fund.

A Committee appointed under Sub-regulation (1) shall be deemed to have taken the role of the Kiambu County Assembly Loans Management and Advisory Committee.

The Committee appointed under Sub- regulation (1) conduct its affairs as provided under the Regulations.

The members appointed to the loan management committee include;

Ref	Name	Position
1	Mr. Simon Kimani Rugu	Fund Administrator
2	Mr. James Methu Michire	Chairperson.
3	Mr.Flavian Kung'u Gatimu	Member.
4	Ms. Angela Wanjiru Kagunyi	Member.
5	Mr. Stephen Kariuki Gatuha	Member.
6	Ms. Eva Wanjiru Kamau	Member.
7	Mr. Godfrey Muriuki	Member.

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

The administrator of the fund may designate and appoint such staff as maybe necessary to assist him in the administration of the Fund.

DELEGATION TO FUND ACCOUNTANT

Responsibility for day-to-day management and administration of the Fund is delegated by the Fund Administrator to the Fund Accountant. The Fund administrator and the Fund accountant are responsible for ensuring the Board is provided with appropriate, accurate and clear information on a timely basis.

PERFORMANCE EVALUATION

The performance of the Staff mortgage is reviewed monthly, quarterly and annually.

FUND ADMINISTRATOR.

The Fund administrator is the accounting officer and secretary to the Board and is responsible for

- (a) Supervising and controlling the administration of the Fund;
- (b) Keeping all legal documents relating to the Fund;
- (c) Causing to be kept books of account and other books and records in relation to the fund;
- (d) Preparing, signing and transmitting to the auditor general in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund, specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as may be required in accordance with the Public Finance Management Act;
- (e) Furnishing such additional information as maybe required for the purpose of examination and audit by the auditor general;
- (f) Designating and appointing such staff as maybe necessary to assist him or her in the administration of the Fund;
- (g) Carrying out such inspections as maybe necessary to verify any information submitted by loan applicant;
- (h) Preparing and submitting quarterly reports on the Fund to the Committee.

STAFF LOAN MANAGEMENT COMMITTEE

The committee held 16 meeting during the financial year 2019/20 to endorse loan application forms, Receive and analyse reports from the officer administering the fund.

STATEMENT OF COMPLIANCE

The board confirms that the fund has throughout the FY 2019/2020 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL FRAMEWORK

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment.

MANAGEMENT TEAM

The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

AUDITOR

The fund is audited by the Auditor-General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

FINACIAL PERFORMANCE

The fund has continued to grow over the years and the management has put measures in place to safeguard loss of public resources, by ensuring Staff Properties are jointly secured by the applicant and County Assembly of Kiambu and ensuring we comply with statutory requirements and day to day running of the fund and timely remittances of the recoveries.

The fund has advanced Mortgage to 13 members of staff representing 17 % of total membership for the financial year 2019/20. It should be noted that this was achieved while complying with the prerequisites procedures, laid down laws and regulations.

The budgeted housing loan to public servants for the financial year 2019/2020 was Kshs. 50,000,000 with an additional amount of Kshs 30,000,000 in the supplementary budget. The Fund received Exchequer releases from the County Treasury for the financial year 2019/2020 totalling to Kshs 50,000,000 (Fifty Million only).

The Staff have been sensitized on purpose, the objective of the fund, and due to this, it has led to an increase in disbursement amounting to Kshs 43,301,692.00 (Forty-Three Million Three Hundred and One Thousand Six Hundred and ninety Two) for the year under review.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering mortgage to the staff of the County Assembly of Kiambu. The county government has supported the fund and added to the fund's better performance.

The management has put measures in place to safeguard against the loss of Public Fund by ensuring staff mortgage are jointly secured by the applicant and the County Assembly Of Kiambu and ensuring timely remittances through checkoff on monthly deductions.

CONCLUSION

The fund has positively impacted on the livelihood of the staff of Kiambu county assembly. It is the hope that in the next financial year over 50% of the staff will have benefited with the mortgage.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The County Assembly of Kiambu establishment is anchored on the Constitution of Kenya, 2010 is mandated to offer representation of citizens, law-making and oversight. The Assembly's strategic elements included the following:

The Vision

A vibrant, value oriented, quality driven and people responsive county assembly in Kenya.

Mission

To be a transformative, efficient and trusted Assembly for Kiambu residents, in close consultation with relevant, county, national and international stakeholders.

Core values

We are committed to growing a dynamic institutional culture that will be guided by these values;

1. **Responsiveness:** We work to find solutions through policy and legislative initiatives that address the needs and preferences of the people of Kiambu County.
2. **Respect:** We listen and respect the wishes of our people and encourage partnerships where mutual respect remains a core working value.
3. **Diversity:** We embrace the diversity of all Kenyans, and work to address diversity across gender, ethnic, class, race, disability and minority lines.
4. **Integrity and Accountability:** We believe that the highest standards of ethics and integrity form a core element of public service and leadership, and we strive to ensure utmost accountability in all our initiatives.

Our beliefs

We believe that;

1. The Constitution of Kenya, 2010 is the supreme law of the land.
2. All Kenyans have equal rights.
3. Every Kenyan is a valuable member of the community.
4. Every Kenyan deserves to be fully served and consulted by their directly elected representative or party representative in County Assembly.
5. Women and men deserve the same opportunity to participate in leadership and equal access to economic, social and cultural rights.

Sustainability Strategy and Profile

The Assembly is committed to the attainment of the Sustainable Developments Goals (SDGs) as agreed upon by the international community.

Environmental Performance

The County Assembly through the formation of an Environmental Committee is in the process of establishing an environmental policy as well as a waste management policy. However, the management has put in place strategies and modalities in efforts to ensure minimal impact of the organization products to the environment.

Employee Welfare

The Assembly hiring process is guided by the County Assembly Human Resource Manual amongst other government provisions to ensure fair competition and gender representation. A performance management and appraisal tool is currently in the process of implementation.

The Assembly is also committed to improve skills through a training committee which is tasked with ensuring capacity building of officers on different areas to enhance skills and performance.

Market Place Practices

Responsible Competition Practice:

The Assembly carries out fair competition in all its engagements through adherence to legal provisions, constant engagements with the Anticorruption authorities, review of certifications in efforts to attain high quality products and services, competitive and controlled costs, innovative and easy market entry as well as exit.

Community Engagements

The County Assembly in collaboration with the County Executive has severally engaged the public through public participations and Corporate Social Activities including issuance of various charitable products to the public such as food products, agricultural products and educational materials amongst others.

10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The fund administration committee submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The fund's objective is to provide a mortgage to the staff of the County Assembly to purchase, develop, renovate, and or repair residential property.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 22 to 28.

Fund Administration Committee

The key information and members of the fund administration committee who served during the year are shown on page 2-4 and 5-6

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 to carry out the audit of the Kiambu County Assembly Staff Mortgage Scheme fund for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

11. 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 Act Kiambu County Assembly Staff Mortgage Scheme 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, 2020. 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 Kiambu County Assembly Staff Mortgage Scheme. 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, 2020 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 20/09/ 2020 and signed on its behalf by:

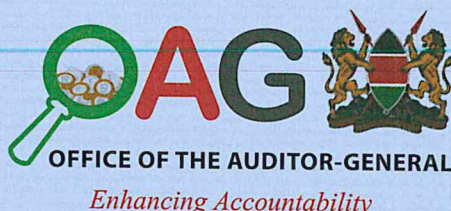


Administrator of the County Public Fund



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 KIAMBU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kiambu County Assembly Staff Mortgage Scheme Fund set out on pages 22 to 57, which comprise the statement of financial position as at 30 June, 2020, 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 the Kiambu County Assembly Staff Mortgage Scheme Fund as at 30 June, 2020, 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 (Kiambu County Assembly Staff Mortgage Scheme Fund) Regulations, 2016 and 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 the Kiambu County Assembly Staff Mortgage 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.

Other Matter

Failure to Disclose Progress on Follow up of Prior Year Auditor Recommendations

In the report of the previous year, an issue on failure to remit mortgage deductions to the Fund account by the County Executive was raised under Report on Lawfulness and Effectiveness in Use of Public Resources section. However, the Management has not disclosed the matter in the financial statements under progress on follow up of prior year auditor's recommendations note. No explanation was provided for the omission.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-compliance with Law on Fringe Benefit Tax

A review of records maintained by the Fund Administrator revealed that members of staff were advanced car and mortgage loans at an annual interest rate of 3%. However, the Fund administrator did not levy tax on the benefit enjoyed by the staff on low interest rate below the applicable annual market lending rate of 7% and therefore PAYE due on the fringe benefit on the facility has not been paid to KRA since 2016 when the Fund was established. The Fund administrator therefore contravened, Section 12B of the Income Tax Act, Cap 470 which require an employer to pay fringe benefit tax in respect of a loan provided at an interest rate lower than the market interest rate.

The Management is in breach of the law.

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 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 Fund's ability 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 abolish 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 the 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 the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2022



13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1		
Transfers from the County Government	2		
Fines, penalties and other levies	3		
Revenue from exchange transactions			
Interest income	4	1,652,341	959,926
Other income	5		
Total revenue		1,652,341	959,926
Expenses			
Fund administration expenses	6		
General expenses	8	(5,865)	(3,711)
Finance costs	9		
Total expenses		5,865	3,711
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		1,646,476	956,215

The notes set out on pages 22 to 28 form an integral part of these Financial Statements

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	42,500,441	32,173,539
Current portion of long- term receivables from exchange transactions	12	4,273,960	1,900,510
Prepayments	14		
Inventories	15		
Non-current assets			
Property, plant and equipment	16		
Intangible assets	15		
Long term receivables from exchange transactions	12	75,659,653	36,713,530
Total assets		122,434,054	70,787,578
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18		
Provisions	19		
Current portion of borrowings	20		
Employee benefit obligations	23		
Non-current liabilities			
Non-current employee benefit obligation	23		
Long term portion of borrowings	20		
Total liabilities			
Net assets		122,434,054	70,787,578
Revolving Fund		119,250,000	69,250,000
Reserves		-	-
Accumulated surplus		3,184,054	1,537,578
Total net assets and liabilities		122,434,054	70,787,578

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

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 29/9/ 2020 and signed by:



Administrator of the Fund
Simon Kimani Rugu



Fund Accountant
Flavian Kung'u Gatimu
ICPAK Member Number: 21864

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluati on Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	39,250,000	-	581,362	39,831,362
Surplus/(deficit) for the period	-	-	956,215	956,215
Funds received during the year	30,000,000	-	-	30,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	69,250,000	-	1,537,578	70,787,578
Balance as at 1 July 2019	69,250,000	-	1,537,578	70,787,578
Surplus/(deficit) for the period	-	-	1,646,476	1,646,476
Funds received during the year	50,000,000	-	-	50,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	119,250,000	-	3,184,054	122,434,054

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the County Government			
Interest received	24	1,463,075	744,335
Receipts from other operating activities		-	-
Total Receipts		1,463,075	744,335
Payments			
Fund administration expenses		-	-
General expenses	8	(5,865)	(3,711)
Finance cost			
		(5,865)	(3,711)
Adjusted for:	24	1,457,210	740,624
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21		
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
		-	-
Net cash flows from operating activities			
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		2,171,385	1,180,734

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

		(43,301,692)	(11,250,000)
Loan disbursements paid out			
Net cash flows from (used) in investing activities		(41,130,307)	(10,069,266)
Cash flows from financing activities			
Proceeds from revolving fund receipts		50,000,000	30,000,000
Additional borrowings			
Repayment of borrowings			
Net cash flows from (used) in financing activities		50,000,000	30,000,000
Net increase/(decrease) in cash and cash equivalents		10,326,903	20,671,358
Cash and cash equivalents at 1 JULY	11	32,173,539	11,502,181
Cash and cash equivalents at 30 JUNE	11	42,500,442	32,173,539

13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations						
Transfers from County Govt.	50,000,000	30,000,000	80,000,000	50,000,000	30,000,000	63%
Interest income	1,680,000	-	1,680,000	1,652,341	27,659	98%
Other income	216,000	-	216,000	-	216,000	0%
Total income	51,896,000	30,000,000	81,896,000	51,652,341	30,243,659	63%
Expenses						
Fund administration expenses						
General expenses						
Finance cost	(6,000)	-	(6,000)	(5,865)	(135)	98%
Total expenditure	(6,000)	-	(6,000)	(5,865)	(135)	98%
Surplus for the period	51,890,000	30,000,000	81,890,000	51,646,476	30,243,524	63%

Budget notes

1. The differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14 is as results of undisbursed staff mortgage amount of Kshs 30,000,000 for the financial year 2019/20.
2. The changes between the original and final budget (IPSAS 24.29) is as a result increased mortgage application by staff members from Kshs 50,000,000 to Kshs 80,000,000 in the financial year 2019/20.

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	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 are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p>

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. 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.

11. 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.

12. 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)

13. 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.

14. 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.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act (Kiambu county assembly staff mortgage scheme fund) regulation 2016. Its ultimate parent is the County Assembly of Kiambu.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

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)

21. 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 entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	79,959,050	79,959,050	0	0
Receivables from non-exchange transactions				
Bank balances	42,500,441	42,500,441	0	0
Total	122,459,490	122,459,490	0	0
At 30 June 2019				
Receivables from exchange transactions	38,614,039	38,614,039	0	0
Receivables from non-exchange transactions				
Bank balances	32,173,539	32,173,539	0	0
Total	70,787,578	70,787,578	0	0

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from 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 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2020				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2019	0	0	0	0
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

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 ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2020			
Financial assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ receivables	0	0	0
Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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
2020			
Euro	0	0	0
USD	0	0	0
2019			
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 entity'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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve		
Revolving fund	119,250,000	69,250,000
Accumulated surplus	3,210,379	1,537,578
Total funds	122,460,379	70,787,578
Total borrowings	0	0
Less: cash and bank balances	(42,500,441)	(32,173,539)
Net debt/(excess cash and cash equivalents)	(42,500,441)	(32,173,539)
Gearing	0	0

13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners		
Contributions from the public		
Total		

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		
Total		

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties		
Fines		
Total		

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	1,652,341	959,926
Interest income from car loans		
Interest income from investments		
Interest income on bank deposits		
Total interest income	1,652,341	959,926

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries		

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

Income from sale of tender documents		
Miscellaneous income		
Total other income		

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs		
Loan processing costs		
Professional services costs		
Administration fees		
Total		

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Bank Charges	5,865.00	3,711.00
Hospitality		
Depreciation and amortization costs		
Other expenses		
Total	5,865.00	3,711.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on banks overdraft		
Interest on loans from banks	-	-
Total		

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Total		

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Car loan account		
Kiambu County Assembly Mortgage Scheme County mortgage account ,Kenya Commercial bank ,Kiambu branch 1183112904	42,500,441	32,173,539
Fixed deposits account		
On – call deposits		
Current account		
Others		
Total cash and cash equivalents	42,500,441	32,173,539

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed Deposit account			
Kenya Commercial Bank,			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank, Kiambu Branch, Kiambu County Assembly Mortgage Scheme County Mortgage Account.	1183112904	42,500,441	32,173,539
Sub- total		42,500,441	32,173,539
d) Others(specify)			
Cash in transit			
Cash in hand			
M Pesa			
Sub- total			
Grand total		42,500,441	32,173,539

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	434,818	215,591
Current loan repayments due	3,839,142	1,684,918
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	4,273,960	1,900,510

Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020

Non-Current receivables		
Long term loan repayments due	75,659,653	36,713,530
Total Non- current receivables	75,659,653	36,713,530
Total receivables from exchange transactions	79,933,613	38,614,039

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	215,591	0
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year	434,818	215,591
Current loan repayments due		
Current portion of long-term loans from previous years	1,684,918	0
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year	3,839,142	1,684,918

13. Revenue from Non-Exchange transaction

	KShs	KShs
Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive		
Transfer to County Fund		
Total receivables from non-exchange transactions		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments		
Total		

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
Total inventories at the lower of cost and net realizable value		

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings KShs	Motor vehicles KShs	Furniture and fittings KShs	Computers and office equipment KShs	Total KShs
Cost					
At 1 st July 2018					
Additions					
Disposals					
Transfers/adjustments					
At 30th June 2019					
At 1 st July 2019					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2020					
Depreciation and impairment					
At 1 st July 2018					
Depreciation					
Impairment					
At 30th June 2019					
At 1 st July 2019					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2020					
Net book values					
At 30 th June 2019					
At 30 th June 2020					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	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		

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables		
Total trade and other payables		

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)				
Additional Provisions				
Provision utilised				
Change due to discount and time value for money				
Transfers from non -current provisions				
Balance at the end of the year (30.06.2019)				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestics borrowings during the period		
Balance at end of the period		

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan.		
Sterling Pound denominated.		
Euro denominated loan.		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
Total		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	38,614,040	28,329,182
Account receivable issued during the year (B)	44,954,033	12,209,926
Account receivable settled during the Year (C)	3,634,460	1,921,358
Net changes in account receivables D= A+B-C	79,933,613	38,617,750

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)		
Accounts Payable held during the year (B)		
Accounts Payable paid during the Year (C)		
Net changes in account receivables D= A+B-C		

23. 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				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income	1,463,075	744,335
Bank Charges	(5,865)	(3,711)
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables		
Net cash flow from operating activities	1,457,210	740,624

25. 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 Assembly;
- b) The County Executive ;
- c) Key management;
- d) Loan Management Committee.

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Loan Management Committee		
Key Management.		
Total		

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry		
Due from County Government		
Total		

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Total		

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case against the Fund		
Bank guarantees		
Total		

**Kiambu County Assembly Staff Mortgage Scheme fund
Reports and Financial Statements
For the year ended June 30, 2020**

14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

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