

GOVERNMENT OF NAIROBI CITY COUNTY



OK

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY-THIRD SESSION

NBI CA. PLC. 2019/ (032)

26th March, 2019

PAPER LAID

Pursuant to Article 229 (7) of the Constitution, I beg to lay the following Paper on the Table of the Assembly, today Tuesday 26th March, 2019.

THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF NAIROBI CITY MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30TH JUNE 2018.

(The Leader of Majority Party)

Approved for tabling.
[Signature]
[Signature]

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

Ref: OAG/NCCA/2017/2018 (8)

19 March 2019

Mr. Jacob Ngwele
Clerk, Nairobi City County Assembly
P.O Box 45844-00100
NAIROBI.



Dear Mr. Ngwele,

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY ASSEMBLY OF NAIROBI CITY MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2018

I transmit the report of the Auditor-General on the examination and audit of financial statements of County Assembly of Nairobi City Mortgage Scheme Fund for the year ended 30 June 2018 in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely,

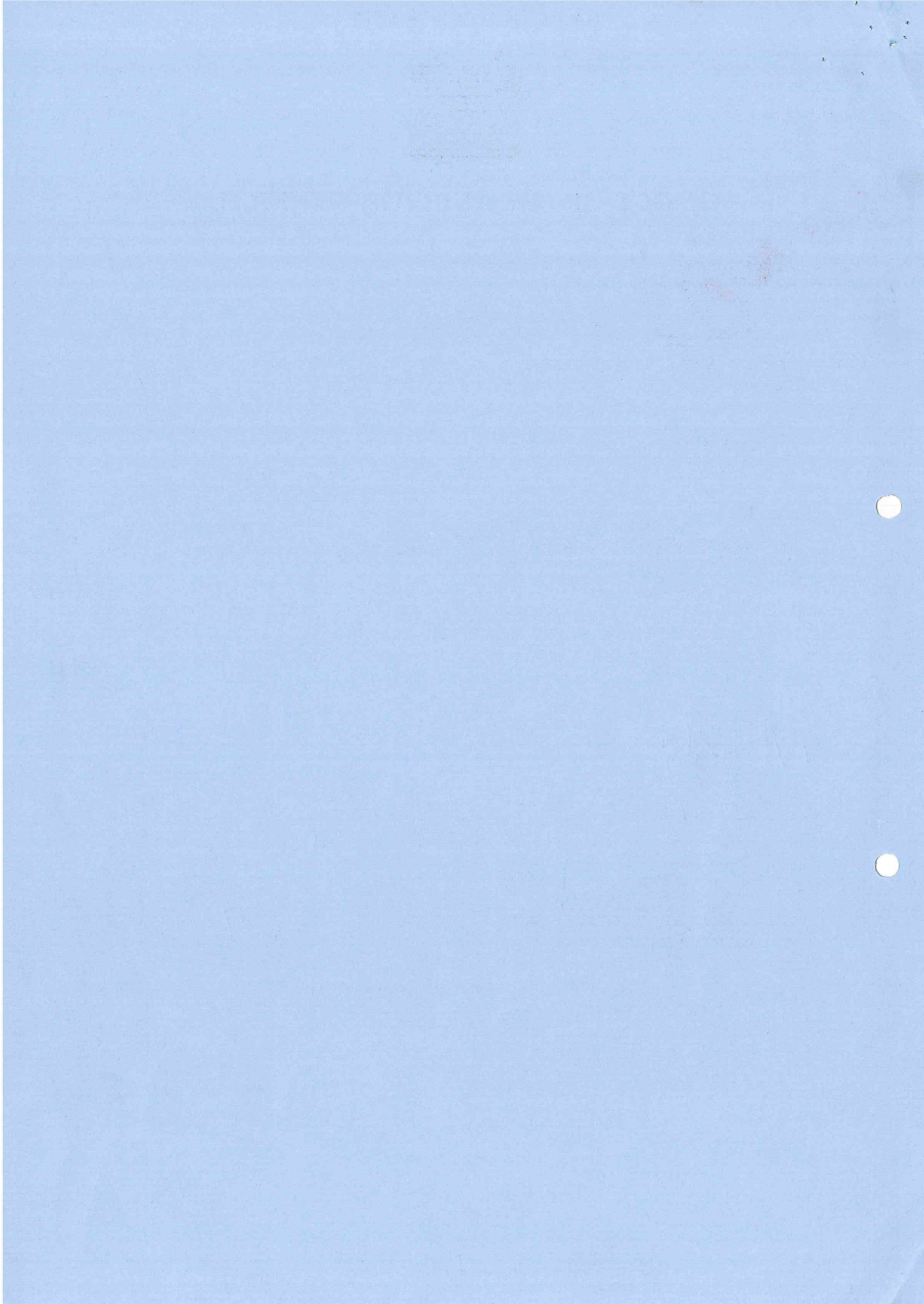
William O. Agunda
For: AUDITOR-GENERAL

Copy to: Mr. Jeremiah Nyegenye
Clerk to the Senate
P.O. Box 41842-00100
NAIROBI.

The Principal Secretary
National Treasury
P.O. Box 30007-00100
NAIROBI.

Snr/C.A (L4P)
Table
J.P. C.A
25/3/19

CA - Judy
Pls process
for 28/3/19
28/3/19



NAIROBI CITY COUNTY ASSEMBLY

Telegraphic Address

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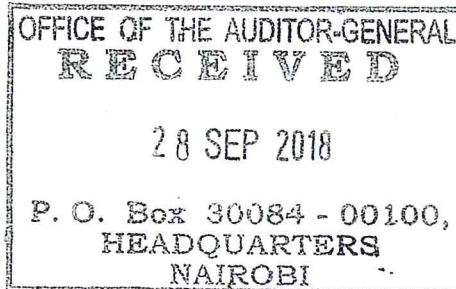
Clerk's Chambers
County Assembly
City Hall Buildings
P O Box 45844-00100
Nairobi, Kenya

OFFICE OF THE CLERK

NCC/FP/32/VOL.1/048/2018

28TH SEPTEMBER 2018

Auditor General
Kenya National Audit Office
P.O.BOX 30084-00100
NAIROBI.



RE: NAIROBI CITY COUNTY ASSEMBLY MORTGAGE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

In accordance with sections 116(7) and 167 of the Public Finance Management Act 2012, forwarded herewith are the financial statements of the Nairobi City County Assembly's Mortgage Scheme Fund for financial year 2017/2018 ended 30th June 2018.

Yours,

A handwritten signature in black ink, appearing to be 'NM' or similar initials.

NANCY MUTAI

Ag. CLERK, NAIROBI CITY COUNTY ASSEMBLY

- cc 1. County Executive Committee Member
Finance and Economic Planning
Nairobi City County
2. Chief Officer
Finance and Economic Planning
Nairobi City County

**THE FINANCIAL STATEMENTS OF COUNTY
ASSEMBLY OF NAIROBI CITY MORTGAGE
SCHEME FUND
FOR THE YEAR
ENDED 30 JUNE 2018**

ON

THE AUDITOR-GENERAL

OF

REPORT

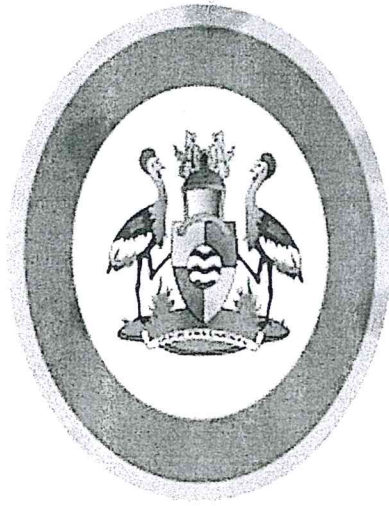
OFFICE OF THE AUDITOR-GENERAL



REPUBLIC OF KENYA



NAIROBI CITY COUNTY



COUNTY ASSEMBLY SERVICE BOARD

MORTGAGE SCHEME FUND

FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

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NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

NAIROBI CITY COUNTY ASSEMBLY KEY INFORMATION AND MANAGEMENT

(a) Background information

County Assemblies are established pursuant to Article 176(1) of the Constitution of Kenya. Accordingly section 12 of the County Governments Act establishes County Assembly Service Boards for each County government. Among the functions bestowed upon County Assembly Service Boards is preparation of annual financial estimates of expenditure, exercising budgetary control and performing other functions prescribed by national legislation. Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee Member for Finance to establish County Public Funds with the approval of the County Executive Committee and the County Assembly. Subsection 7 requires the administrator of a County Public Fund to prepare Accounts for each financial year and submit them to the Auditor General.

Arising from the above provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Mortgage Loan Scheme Fund with the approval of the County Assembly. The Clerk of the County Assembly, being the Accounting Officer of the Assembly was subsequently appointed the administrator of the fund.

(b) Key Management

The County Assembly's day-to-day management is under the County Assembly Service Board

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility was Jacob Ngwele, the Clerk and the Accounting Officer of the County Assembly.

(d) Fiduciary Oversight Arrangements

The fiduciary oversight arrangement was as offered by;

- The County Assembly's Public Accounts Committee
- Kenya National Audit Office
- Controller of Budget

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

(e) Nairobi City County Assembly Headquarters

P.O. Box 45844-00100

City Hall Building

Second floor

Mama Ngina Street

Nairobi, KENYA

(f) Nairobi City County Assembly Contacts

Telephone: (254) 020 2216151

E-mail: clerk@nrbcountyassembly.go.ke

Website: www.nrbcountyassembly.go.ke

(g) Nairobi City County Assembly Bankers

Cooperative Bank of Kenya Ltd

City Hall Branch

P.O.BOX, 44805-00100

Nairobi

(h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

(i) Senior Legal Counsel

Office of the Clerk

Thro' Qualified Legal Advocates

P.O.Box. 45844 – 00100

Nairobi

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

FORWARD BY THE CLERK TO THE COUNTY ASSEMBLY

The Nairobi City County Assembly Mortgage Scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements.

For proper management of the Fund and as advised by the Salaries and Remuneration Commission, the Nairobi City County Assembly adopted The *Public Finance Management (Nairobi City County Car Scheme Fund) Regulations 2014* which has since been repealed into The *Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund.

The Fund started operations in December 2014. It received an initial amount of Ksh.180M and further Ksh.50M and Ksh.116M in 2014/15 and 2015/16 financial years respectively. Since then 170 beneficiaries have made borrowings amounting to Ksh.235M. Of this amount Ksh.146M has been paid and Ksh.259M was outstanding as at the reporting date.

Until 31st July 2015, the Fund was under management of a financial institution, Family Bank Ltd. The role of the bank was to provide administration services for the fund. However, the Bank failed to honour its part of the contractual obligations leading to termination of administrative services with effect from 31st July 2015. Since then the fund has been internally administered in the County Assembly by the Office of the Clerk.

The Salaries and Remuneration Commission in its circular ref SRC/ADM/CIR/1/13 Vol.III(128) dated 17th December 2014 provided guidelines for access of Car Loan and Mortgage benefits by all state and public officers. Arising therefrom the County Assembly Service Board approved and adopted the Staff Loans Policy Paper on 17th March 2015. On 20th August 2015 the Board approved and adopted the guidelines on internal administration of the Car loan and Mortgage

NAIROBI CITY COUNTY ASSEMBLY

Mortgage Scheme Fund

Financial Statements

For the year ended June 30, 2018 (Kshs'000)

Scheme Funds following termination of administration services with the then administrator,
Family Bank Ltd with effect from 31st July 2015.



Ag. CLERK TO THE COUNTY ASSEMBLY

STATEMENT OF FUND ADMINISTRATOR RESPONSIBILITIES

Section 116 (7) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the administrator for a county public fund shall prepare financial statements in respect of that fund.

The administrator in charge of the Nairobi City County Assembly Mortgage Scheme 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 each Financial Year.

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 Nairobi City County Assembly Mortgage Scheme Fund accepts responsibility for the Fund's Financial Statements as set out on pages 9-14, which have been prepared using appropriate accounting policies in accordance with International Public Sector Accounting Standards on accrual basis (IPSAS Accrual). The Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's Financial Position as at that date. The Administrator of the Nairobi City County Assembly Mortgage Scheme Fund further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

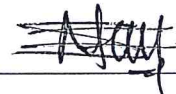
preparation of the Fund's Financial Statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Fund's financial statements were approved and signed by the Accounting Officer on 28th September 2018.



Ag. CLERK TO THE COUNTY ASSEMBLY
(FUND ADMINISTRATOR)



Ag. PRINCIPAL ACCOUNTANT

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF NAIROBI CITY MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi City County Assembly Mortgage Scheme Fund set out on pages 9 to 14, which comprise the statement of financial position as at 30 June 2018, and the statement of income and expenditure, statement of changes in equity and statement of cash flows 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 Nairobi City County Assembly Mortgage Scheme Fund as at 30 June 2018 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 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 Nairobi County Assembly Mortgage Scheme Fund in accordance with ISSAI 30 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. I have determined that there are no audit matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of County Assembly of Nairobi City Mortgage Scheme Fund for the year ended 30 June 2018

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, I confirm that, nothing 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

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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of Nairobi City County Assembly Mortgage Scheme Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of

accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 noncompliance. 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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 Nairobi City County Assembly Mortgage Scheme Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Nairobi City County Assembly Mortgage Scheme Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 March 2019

NAIROBI CITY COUNTY ASSEMBLY

Mortgage Scheme Fund

Financial Statements


For the year ended June 30, 2018 (Kshs'000)

**STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30TH JUNE 2018**

| | | 2018 | 2017 |
|--------------------------------------|-------|---------------|---------------|
| | Notes | Ksh. '000' | Ksh. '000' |
| <u>Income</u> | | | |
| Loan Interest from Borrowers | 2 | 4,675 | 2,186 |
| Interest Accrued in the fund | 3 | 4,983 | 10,665 |
| Total Receipts "a" | | 9,658 | 12,851 |
| <u>Expenditure</u> | | | |
| Administrative Expenses Paid | | 4,201 | 1,373 |
| Bank Charges | | 31 | 19 |
| Total Expenditure "b" | | 4,232 | 1,392 |
| Surplus/ (Deficit) ("a" - "b" = "c") | | 5,426 | 11,459 |
| Surplus/ (Deficit) B/F | | 14,746 | 3,287 |
| Surplus/ (Deficit) C/F | | 20,172 | 14,746 |



Ag. CLERK TO THE COUNTY ASSEMBLY
(FUND ADMINISTRATOR)



Ag. PRINCIPAL ACCOUNTANT

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

| | Notes | 2018 Ksh.'000' | 2017 Ksh.'000' |
|----------------------------------|-------|-------------------|-------------------|
| <u>Non-Current Assets</u> | | | |
| Long term Debtors | 1 | 230,687 | 88,385 |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | 4 | 106,116 | 265,612 |
| Short term Debtors | 1 | 29,369 | 6,749 |
| Total Assets | | 366,172 | 360,746 |
| <u>Financed By</u> | | | |
| Mortgage Loan Fund Account | 5 | 346,000 | 346,000 |
| Income and Expenditure Account | | | |
| (Accumulated Surplus/ (Deficit) | | 20,172 | 14,746 |
| Net Value of the Fund | | 366,172 | 360,746 |


Ag. CLERK TO THE COUNTY ASSEMBLY
(FUND ADMINISTRATOR)


Ag. PRINCIPAL ACCOUNTANT

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

CASHFLOW STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2018

| | Notes | 2018 Ksh. "000" | 2017 Ksh. "000" |
|--|----------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash receipts | | | |
| Loan Interest Paid by Borrowers | 2 | 4,675 | 2,186 |
| Interest paid into the fund from deposits | 3 | 4,983 | 11,024 |
| Total cash received from operating activities 'a' | | 9,658 | 13,210 |
| Cash Payments | | | |
| Fund Administrative fees paid | | 4,201 | 1,373 |
| Bank charges | | 31 | 19 |
| Total cash payments 'b' | | 4,232 | 1,392 |
| Net Cash from operating Activities 'a'-'b'='c' | | 5,426 | 11,818 |
| Cash flows from investing activities | | | |
| Loans paid by members | | 14,162 | 55,894 |
| Loans advanced to members | | 179,084 | 84,096 |
| Net cash flows from investing activities 'd' | | (164,922) | (28,201) |
| Cash flows from financing activities | | | |
| Cash Receipts from County Treasury | | 0 | 0 |
| Cash paid back to County Treasury | | | |
| Net cash flows from financing activities 'e' | | 0 | 0 |
| Cash at the beginning of period 'f' | | 265,612 | 281,996 |
| Cash at the end of period (c + d+e+f) | 4 | 106,116 | 265,612 |


 Ag. CLERK TO THE COUNTY ASSEMBLY
 (FUND ADMINISTRATOR)


 Ag. PRINCIPAL ACCOUNTANT

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2018

| | Mortgage Loan Fund Account | Accumulated Surplus/Deficit | Total |
|-------------------------------------|-------------------------------|--------------------------------|----------------|
| | KSH (000') | KSH (000') | KSH (000') |
| Balance b/f 1st July 2015 | 230,000 | 359 | 230,359 |
| Transfers into the fund | 116,000 | | 116,000 |
| Surplus for the year | - | 2,928 | 2,928 |
| Balance as at 30th June 2016 | 346,000 | 3,287 | 349,287 |
| Balance b/f 1st July 2016 | 346,000 | 3,287 | 349,287 |
| Transfers into the fund | - | | - |
| Surplus for the year | - | 11,459 | 11,459 |
| Balance as at 30th June 2017 | 346,000 | 14,746 | 360,746 |
| Balance b/f 1st July 2017 | 346,000 | 14,746 | 360,746 |
| Transfers into the fund | - | | - |
| Surplus for the year | - | 5,426 | 5,426 |
| Balance as at 30th June 2018 | 346,000 | 20,172 | 366,172 |

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS) accrual basis. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the fund and all values are rounded to the nearest one thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

2. Budget

The Fund operates as a revolving fund and therefore the amounts deposited therein are available for borrowing at any time provided it is for the purpose of the fund. The fund however receives transfers from the County Treasury which are budgeted for in any financial year. No amounts were received in the year under reporting since there were no requisitions to be budgeted and approved as required by Law and as detailed in the Nairobi City County Assembly's Printed Estimates.

3. Merging of the Car and Mortgage Funds

As guided by The Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the Members of the County Assemblies, vide circular ref SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Nairobi City County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car Loan Scheme Fund and Mortgage Loan Scheme Fund with the approval of the County Assembly. The Commission has since merged the benefit into one scheme fund necessitating the County Assembly to adopt *The Public Finance Management (Nairobi City County Assembly Car Loan and Mortgage Scheme Fund) Regulations 2017* to guide operationalization of the Fund. The Mortgage Loan Scheme Fund would be merged with the Car Loan Scheme Fund once the County Executive Committee Member for Finance and Economic Planning winds the two Funds and authorises the establishment of Nairobi City County Assembly Car Loan and Mortgage Scheme Fund Account.

NAIROBI CITY COUNTY ASSEMBLY
Mortgage Scheme Fund
Financial Statements
For the year ended June 30, 2018 (Kshs'000)

NOTES TO FINANCIAL STATEMENTS

1. Analysis of Debtors.

| Category | Amount Ksh. |
|-----------------------|---------------------------|
| a. Short Term Debtors | 29,369,267 |
| b. Long term Debtors | <u>230,687,592</u> |
| Total | <u>260,056,859</u> |

- Included in the short term debtors is an amount of Ksh.706,770 owing from Cooperative Bank Ltd that had not been paid by the end of the period under reporting. The amount has remained unpaid and the County Assembly has made efforts to ensure its recoverability.

2. Loan Interest Paid by Members

Loan interest paid by members represents the interest charged on the members as guided by the Salaries and Remuneration Commission at 3% per year.

3. Interest Accrued in the Fund

Interest accrued in the Fund represents the amount of interest paid by Cooperative Bank Ltd on daily balances held in the Fund Account on behalf of Nairobi County Assembly for the period under reporting.

4. Cash and Cash equivalents

Cash and cash equivalents represent cashbook balance.

5. Fund Amount

The amount of Ksh.346M represents the total Fund amount. During the year under reporting no remittances was received from the County Treasury.

