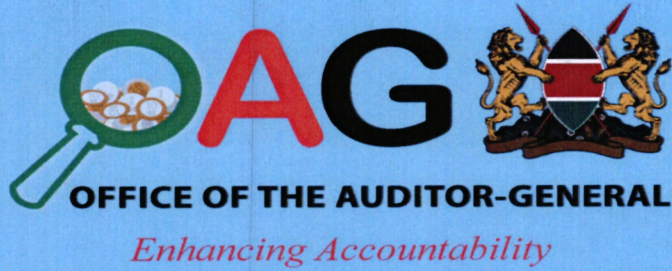


REPUBLIC OF KENYA



REPORT

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ON

**KISII COUNTY ASSEMBLY MEMBER'S
LOAN AND MORTGAGE FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



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KISII COUNTY ASSEMBLY



**KISII COUNTY ASSEMBLY MEMBER'S LOANS AND MORTGAGE
FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2022**

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

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

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KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

1. KEY FUND'S INFORMATION AND MANAGEMENT

a) Background information

Kisii County Assembly Members' Loan and Mortgage Fund is established by and derives its authority and accountability from Kisii County Assembly Members' Loan and Mortgage Fund Act, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The object and the purpose of the fund is to enable loans and mortgages to be advanced to members and employees of the Kisii County Assembly as maybe prescribed by the Salaries and Remuneration Commission (SRC).

Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee member for Finance to establish County Public Funds with approval of the County Executive Committee and the County Assembly. Subsection 7 requires the administrator of the County public fund to prepare accounts for each financial year and submit them to the Auditor General.

Arising from the above-mentioned 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 Kisii County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car loan and Mortgage scheme fund with the approval of County Assembly in April 2014. Chase Bank (K) was subsequently appointed the first administrator of the Fund. Currently State Bank of Mauritius (SBM BANK) is the administrator of the Fund after Chase Bank Ltd went under Receivership in April 2016.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide Mortgages and Car loans to Members of Kisii County Assembly and Staff.

Vision

A model fund of choice for Members and Staff of County Assembly of Kisii.

Mission

To provide affordable, accessible and sustainable Mortgages and Car loans to Members and Staff of County Assembly of Kisii.

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

c) Fund Administration Committee

Ref	Name	Designation	Position
1	Hon. Timothy Ogugu	Leader of Majority Party	Chairperson
2	Hon James Ondari	Leader of Minority Party	Vice chairperson
3	Hon. Clare Obino	MCA	Member
4	Hon. Ibrahim Mose	MCA	Member
5	Dr.Joash Kerongo	CASB Member	Member
6	Mr. James Nyaoga	Clerk	Secretary
7	Mr. Moses Ratemo	Principal Accountant	Member
8	Mr. Robin Nyakundi	Finance Officer	Member
9	Ms Brenda Nyamwaya	Legal Officer	Member

d) Key Management

Ref	Name	Position
1	Mr. James Nyaoga	Fund Administrator
2	Mr. Dennis Aamba	Fund Accountant

e) Registered Offices

P.O. Box 4552- 40200
Old Municipal Building
Kisii - Kilgoris Road/Highway
Kisii, KENYA

f) Fund Contacts

Telephone: (254) 0208029160
E-mail: countyassembly@kisii.go.ke
Website: www.kisii.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. SBM Bank Limited
Kisii Branch
P.O Box 34886-00100
Nairobi.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

h) Independent Auditors




Auditor General
Office of The Auditor General
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

**KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022**

2. THE LOAN AND MORTGAGE MANAGEMENT COMMITTEE

 <p>Hon. Timothy Ogugu MCA - Magenche Ward Leader of Majority</p>	<p>Hon. Timothy Ogugu – Chair – Loan And Mortgage Management Committee</p> <p>Hon. Timothy Ogugu was elected as appointed as the first chair of the board of trustees. He is the leader of Majority.</p> <p>He is a member of ICPAK practising as an accountant, holds a bachelor’s degree in business Management from Maasai Mara University.</p> <p>CDF chairman Bomachoge and MCA Bomachoge Ward Kisii County. Before his appointment, he served as a senior accountant at the National Treasury.</p>
 <p>Mr. James Nyaoga The Clerk Secretary, CASB</p>	<p>Mr. James Nyaoga- was appointed the first Clerk –Kisii County Assembly in the year 2013- the advent of devolution, and continues to serve in the same position to date.</p> <p>Mr. Nyaoga, PhD student in Planning and Economics, holds two Masters Degrees in Planning and Economics of Education and Public Policy and Analysis respectively.</p> <p>A career civil servant, Mr. Nyaoga has served the Government in various positions.</p> <p>Prior to his appointment as the Clerk, he was the coordinator and head author of the National Public and Policy Hand Book while working at the Office of the Prime Minister.</p> <p>He also serves as the Secretary to the Service Board (CASB).</p>
 <p>Hon James Ondari</p>	<p>Hon. James Ondari: Vice Chair – Loan And Mortgage Management Committee. He is an Elected Member of County Assembly from Boochi Tendere Ward. He is the Leader of Minority.</p> <p>He boasts 20 years of Experience in Leadership.</p>

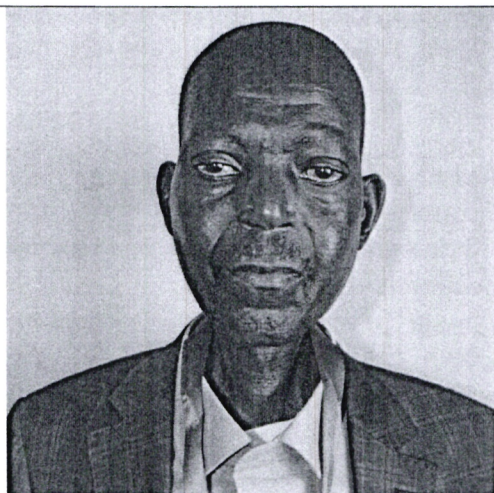
KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022



Hon. Clare Obino

Hon. Clare Obino is a Nominated Member of County Assembly and she is a Member of the Loan and Mortgage Fund Management Committee to represent special interest groups.

She has a wealth of Experience in Banking Sector with 15 Years' experience.



Hon. Ibrahim Mose

Hon. Ibrahim Mose: He is an Elected Member of County Assembly from Bobaracho Ward. He was appointed to be a Member in the Loan and Mortgage Fund Management Committee to represent special interest groups.

He has a wealth of experience in Management.





Dr. Joash Kerongo

Dr, Joash Kerongo is currently serving as the Registrar Academic Affairs at the Kisii University. He was appointed as a Member of Kisii County Assembly Service Board to represent Members of the Public and he is a Member in the Loan and Mortgage Fund Management Committee to represent special interest groups..

He holds a PhD in Mathematics , a Master's Degree in Mathematics and a Bachelor's Degree in Mathematics

He boasts 23 years' experience in Public Sector.

**KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022**

 <p>Mr. Moses Ratemo</p>	<p>Mr. Moses Ratemo is currently serving as the Director Finance and Accounting Services.</p> <p>He holds a Bachelor of Commerce Degree in Accounting Option from Egerton University and is currently pursuing a Master’s of science in Finance and Accounting at Jomo Kenyatta University of Agriculture and Technology. a Member in the Loan and Mortgage Fund Management Committee.</p> <p>Mr. Ratemo has over 19 Years’ experience in Accounting and Finance in public Service.</p>
 <p>Mr. Robin Nyakundi</p>	<p>Mr. Robin Nyakundi is currently serving as a Finance Officer at Kisii County Assembly and he is a Member in the Loan and Mortgage Fund Management Committee.</p> <p>He holds a Bachelor of Business and Management, Banking and Finance Option from Kisii University.</p> <p>He boasts 10 years’ experience in Finance and Accounting in public Service.</p>

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022





Ms Brenda Nyamwaya

Ms Brenda Nyakanga Nyamwaya is an Advocate of High Court of Kenya holds a Bachelor of Law Degree (L.L.B) from the Catholic University of Eastern Africa. She holds a Post-graduate diploma the Kenya School of Law.

She is currently serving as a Senior Legal Counsel with 4 years' experience at Kisii County Assembly and a Member in the Loan and Mortgage Fund Management Committee.

**KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022**

3. MANAGEMENT TEAM

 <p>Mr. James Nyaoga The Clerk Secretary, CASB</p>	<p>Mr. James Nyaoga is appointed the first Clerk – Kisii County Assembly in the year 2013- the advent of devolution, and continues to serve in the same position to date.</p> <p>Mr. Nyaoga, PhD student in Planning and Economics, holds two Masters Degrees in Planning and Economics of Education and Public Policy and Analysis respectively.</p> <p>A career civil servant, Mr. Nyaoga has served the Government in various positions.</p> <p>Prior to his appointment as the Clerk, he was the coordinator and head author of the National Public and Policy Hand Book while working at the Office of the Prime Minister.</p> <p>He also serves as the Secretary to the Service Board (CASB).</p>
 <p>Mr. Dennis Aamba- Fund Accountant</p>	<p>Mr. Dennis Aamba–Fund Accountant</p> <p>Mr. Dennis Aamba is currently serving as a Finance Officer at Kisii County Assembly. He holds a Bachelor in Business Management Accounting option from Maasai Mara University, Masters in Business Administration Finance Option from The University of Nairobi and is currently pursuing a PHD in Business administration Finance option from The University of Nairobi. He is a member of ICPAK.</p> <p>He boasts 10 years’ experience in Accounting, Audit and Finance in Public Service.</p>

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

4. COMMITTEE CHAIRPERSON'S REPORT

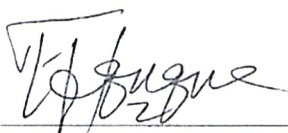
The Financial Statements of the Kisii County Assembly Members' Loan and Mortgage Fund was prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) and in compliance with Section 107 and 149 of Public Finance Management Act, 2012.

The principal objective and purpose of establishing the fund was to enable members of the County Assembly and Staff to acquire Car loans and Mortgage facilities. This would better their Economic and Social welfare and improve on Service Delivery in their line of duty. The Salaries and Remuneration Commission (SRC), through gazette notice No. 6516 dated 7th July, 2017 gave guidelines on the benefits to be enjoyed by each member. It allowed Members of the County Assembly a maximum Car loan of up to Kshs. 2 Million and a Mortgage facility not exceeding Kshs. 3 Million. However, the commission reviewed this arrangement and allowed merging of the Car loan and Mortgage benefit for MCAs and advised that the benefits could be consolidated as one and be capped at Kshs. 5 Million for purchase of a Car and/or Mortgage facility. This was through Circular Ref. No: SRC/TS/CAF/3/61/49(46) dated 13 December, 2017.

In this Second Assembly, the Management of the Fund cumulatively advanced a total of Kshs. 351,670,000 Car Loan and Mortgage funds to Members. As at the Financial Year ended 30th, June 2022 all the County Assembly Members including the Speaker had benefited from this Facility. We are glad that the Recovery process was smooth and all the loans disbursed to Members were recovered.

Further, the Fund Management Committee is deliberating on possible modalities of ensuring that Members of staff start benefiting from this facility in the coming Financial Year.

I look forward to your continued support in the year 2022/2023.

Signed:  _____

Hon. Timothy Ogugu
Committee Chairman

KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

5. REPORT OF THE FUND ADMINISTRATOR

We entered into a Memorandum of Understanding with the Kisii County Assembly Service Board on 6th December 2017 after a series of meetings. During that period i.e. from 2013 to 2017, we disbursed Kshs. 260 million to 72 members of County Assembly. By the time we were disbursing the loans, nearly all members of County Assembly did not qualify for full amounts because enough seed money was not deposited with the bank as the Assembly appeared to have funding challenges. This explains the fact that only Kshs. 260 million was disbursed to MCAs as opposed to Kshs. 360 million that would have allowed disbursement of Kshs. 5 million to each MCA as per the SRC guidelines then.

By August 2017, all loans had been fully repaid. We did not face any challenges in recoveries save for the fact that the bank (Chase Bank Ltd) was put under receivership in April 2016. In the month of September 2017, the County Assembly Service Board asked for a full refund of Kshs. 260 million from the bank. During this period, the bank was under receivership and such refund would not have been possible. A number of meetings were held between the Bank, The Receiver Manager and the Kisii County Assembly Service Board. Subsequently, with the concurrence of the Central Bank of Kenya, funds were availed to the tune of Kshs. 336 million for disbursement to the MCAs. This was not enough and once again the Assembly could not provide enough funds to be disbursed to all MCAs.

Since then, a total of 72 loan beneficiaries made borrowings amounting to **Kshs.351, 670,000**. The **Kshs.56, 641,412** balance that was outstanding as at 30th June 2021 was recovered during the financial year ending 30th June 2022. On our part we ensured that all loans were insured. Recoveries have been consistent and up to date.

It is my pleasure to present the Kisii County Car loan and Mortgage Fund financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

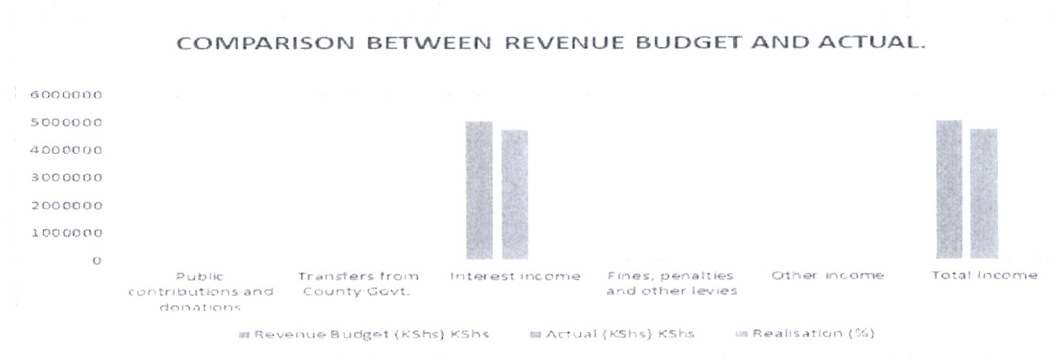
In the year ended 30th June 2022, the fund had projected revenues of **Kshs.6, 265,000**. Out of the projected revenue, the fund was able to realise **Kshs.5, 141,165** in actual revenues, representing **82%** performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue			
Public contributions and donations	0	0	0
Transfers from County Govt.	0	0	0
Interest income	6,265,000	5,141,165	82%

KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

Fines, penalties and other levies	0	0	0
Other income	0	0	0
Total income	6,265,000	5,141,165	82%



b) Loans

During the financial year 2021/2022, no loans were disbursed. All members had benefitted and efforts were geared towards ensuring full loan recoveries at the end of the Member’s term.

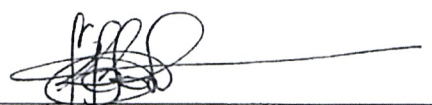
Cash flows

In the financial year ending 30th June 2022, the cash and cash equivalents increased by **Kshs.58,577,202** to **Kshs. 199,935,790** from **Kshs.141,358,588**. The increase was as a result of loan recoveries of **Ksh. 56,641,412** and the surplus from interest accruing out of the fixed deposits of **Kshs.1, 935,790**.

c) Conclusion

FY 2021/2022 was a good year in general. Good progress was made and the momentum has been created to enable Kisii Car loan & Mortgage fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I therefore take this opportunity to thank the board of trustees for their support. I would also want to thank all the members of the County Assembly and staff whom we have worked with hand in hand to ensure that Kisii Car loan& Mortgage fund achieves its mission. We are looking forward to working with you.

Signed: 

Name: Jacob M. Onkeo
Administrator of Kisii County Assembly Member’s Loans and Mortgage Fund

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

**6. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S
 PREDETERMINED OBJECTIVES**

Introduction

Section 164 (2) (f) 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 development objectives of the Fund as per the strategic plan for *2018 to 2023* are to:

- a) Provide funds to enable loans and mortgage to be advanced to members and employees of the Kisii County Assembly for the purchase, development, renovation or repair of property and or the purchase of vehicles.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Loans and Mortgage	To provide funds to enable loans and mortgage to be advanced to members and employees of Kisii County Assmebly.	Increased efficient transportation and development of members' and employees of Kisii County Assembly.	% of loans and mortgages advanced to members and % of loan recovered.	In FY 21/22 no loans were disbursed as all members had benefitted and all Loan were recovered.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

7. CORPORATE GOVERNANCE STATEMENT

The Fund

The Kisii County Assembly Car Loan Scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide Car loans and Mortgage to members of the County Assembly and staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by Kisii County Assembly Car Loan and Mortgage Act 2014. The structure is designed to ensure an informed decision making process based on accurate reporting to the board.

The Loan and Mortgage Management Committee

Section 7(1) of Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014 provides that the Committee shall consist of the following members:

- (a) The leader of Majority party who shall be the chairperson;
- (b) The leader of minority party who shall be the vice chairperson ;
- (c) Two members of the county assembly of different gender , nominated by the members of county assembly to represent special interest groups;
- (d) One person of the public appointed to the County Assembly Service Committee under section 12 (3) (d) of the County Government Act (2012).
- (e) The Clerk who shall be the secretary to the committee.
- (f) The Director, Finance and Budget Affairs
- (g) Two members of different gender representing the staff in the committee"

The Committee is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The Committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Committee members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the Committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the Committee, its sub-committees, individual members and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND

Reports and Financial Statements For the year ended 30 June, 2022

Committee Meetings

The board of trustees meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The board of trustees also plays an oversight role over all other financial and operational issues. The trustees held seven full board and two special board meetings during the FY 2021/2022.

Audit and Risk Committee

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of trustees has established an audit and risk committee. The committee was established to advise the board of trustees on institutional risk management and compliance. The committee held five meetings during the year. The committee also met the Fund's external auditors KENAO to deliberate on risk management issues. The members of this committee during the year under review were:

S/No.	Name	Position	Period Served
1	Rose Bosibori Osoro	Chairperson	3 rd December 2018 to date
2	Bosco Peter Onsembe	Member	3 rd December 2018 to date
3	Enock Ombui Nyasende	Member	3 rd December 2018 to date
4	Elias Ngere	Member	3 rd December 2018 to date

Statement of Compliance

The board of trustees confirms that the fund has throughout the FY2021/2022 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

Internal Control and Risk Management

The Committee members are responsible for reviewing the effectiveness of the Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instruction

The Fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the Fund is determined by the strategic plan. The strategic plan sets out the objectives of the Fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the Audit and Risk Committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2021/2022.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

Management Team

The management team headed by the Fund Administrator implements the board decisions and policies through action plans. 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.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

8. MANAGEMENT DISCUSSION AND ANALYSIS

When SBM Bank took over the Management of the Kisii County Assembly Car Loan and Mortgage scheme it inherited three (3) bank accounts that had been opened by Chase Bank (IR) which was under Receivership. It consolidated them to one Account namely **Kisii County Assembly, Mortgage and Car Loan Fund a/c. Number 0252096101001**. The Accounts held total deposits of Ksh.290 Million.

The three (3) deposit accounts had balances as follows;

	Account No.	Date Of Deposit	Amount (Ksh)	Total Balance
1.	0252096101002	28/04/2014 06/05/2014	30 Million 70 Million	100 Million
2.	025209101003	01/07/2014 24/09/2014 31/10/2014	40 Million 40 Million 50 Million	90 Million
3.	0252096101001	27/03/2015 08/02/2016 07/05/2018	20 Million 10 Million 30 Million	60 Million
4.	0252096101001	30/01/2019 15/04/2019	25 Million 25 Million	50 Million
	Total Deposit held in lien			340Million

Note that **Kshs.260 million** was held by Chase Bank limited as at the time it was put under receivership in April 2016. Only **Kshs.1 million** could be withdrawn from each of the 3 accounts at that time. Therefore, Kshs.257 Million was held under moratorium and according to SBM Bank **25%** of this (**Kshs.64, 250,000**) is still held by Kenya Deposit Insurance Corporation (KDIC).

In this FY 2021/2022 a total of **Kshs.56, 641,412** loan recovery was made raising the recoveries to **Kshs.351, 670,000 (100%)**. The recovery process was smooth and all loans balances have been retired.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The quest for The Kisii County Assembly Car Loan and Mortgage Fund Management to initiate Corporate Social Responsibility with a positive impact to Society has been hampered by lack of Resources. According to the Signed MOU, all interest accruing out of the disbursed loans (Kshs. 851,391, in FY 2021/2022) is utilised by the Fund Administrator as administrative expenses. Discussions for review on utilization of 3% interest accruing from the disbursed loans and interest on idle funds are ongoing. The management is optimistic that the discussions will materialize in the first quarter of the next Financial Year and this shall necessitate revision of the Memorandum of Understanding accordingly.

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

10. REPORT OF THE MANAGEMENT COMMITTEE MEMBERS

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to enable members of the County Assembly and Staff to access mortgages and car loans as may be prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended June 30, 2021 are set out on pages 1-21.

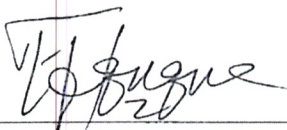
Members of the Loan and Mortgage Management Committee

The members of the Loan and Mortgage Management Committee who served during the year are shown on page iv and Section 2 of this document

Auditors

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

By Order of the Board

Signed:  _____

Chair of Loan and Mortgage Management Committee

Date:

KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

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 the Kisii County Assembly Member’s Loans and Mortgage Fund established by The Kisii County Assembly Members’ Loan and Mortgage Fund Act, 2014, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

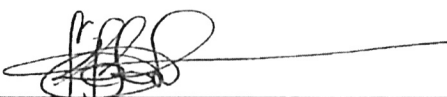
The Administrator of the Kisii County Assembly Member’s Loans and Mortgage Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. 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 Kisii County Assembly Member’s Loans and Mortgage Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kisii County Assembly Member’s Loan and Mortgage Fund Act, 2014. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2022, and of the Fund’s financial position as at that date. The Administrator further confirms 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 Kisii County Assembly Member’s Loans and Mortgage Fund has assessed the Fund’s ability to continue to sustain its services and disclosed, as applicable, matters relating to the use of the applicable basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not continue to sustain its services 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 30/11/2022 and signed on its behalf by:

Signed: 

Mr. Jacob M. Onkeo
Administrator of Kisii County Assembly Member’s Loans and Mortgage Fund

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kisii County Assembly Member's Loan and Mortgage Fund set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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

Report of the Auditor-General on Kisii County Assembly Member's Loan and Mortgage Fund for the year ended 30 June, 2022

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 Kisii County Assembly Member's Loan and Mortgage Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014.

Basis for Opinion

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.4,056,766 against approved budget of Kshs.6,265,000 resulting to under-performance of Kshs.2,208,234 or 35% of the budget.

The under-performance affected issuance of loans to members as planned and approved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

1. Lack of Agreement Between the County Assembly and SBM Bank Kenya Limited

It was noted that the Members Loans and Mortgage Committee, through Paragraph 4.1 of the County Fund Scheme Administration Agreement appointed Chase Bank to act as

an administrator of the Fund for the County Assembly on 6 December, 2017. Subsequently, the assets and liabilities of Chase Bank Kenya Limited were transferred to SBM Bank (Kenya) Limited with effect from 17 August, 2018 through a Kenya Gazette No. 6833 dated 6 July, 2018. However, the amended Agreements that reflect SBM Bank (Kenya) Limited was not provided for audit.

In the circumstances, the legality and regularity of the Management of the Fund by SBM Bank (Kenya) Ltd could not be confirmed.

2. Unauthorized Opening and Maintenance of Fund Bank Accounts

The statement financial position reflects cash and cash equivalents balance of Kshs.135,685,790 which, as disclosed in Note 4 to the financial statements, comprises a fixed deposit account and current account balances of Kshs.135,587,817 and Kshs.97,973 respectively. The two (2) accounts were maintained at SBM Bank (Kenya) Limited to account for loan transactions. However, the fixed deposit account had a balance of Kshs.133,750,000 as at 1 July, 2021. The amount was put on call account at an interest rate of 7% p.a. and earned interest amounting to Kshs.6,048,429 during the year under review. However, the account was opened without approval of the County Treasury contrary to the provisions of Regulation 82(4) of the Public Finance Management (County Governments) Regulations, 2015. In addition, documentary evidence showing the signatories of the two bank accounts was not provided for audit.

In the circumstances, the regularity and legality of the bank accounts maintained or operated by the Fund could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls 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 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 controls.
- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide the 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


31 March, 2023

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022


13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	1	5,992,556	4,758,954
Total revenue		5,992,556	4,758,954
Expenses			
Fund administration expenses	2	-	4,758,954
Use of goods and services	3	4,056,766	-
Total expenses		4,056,766	4,758,954
Surplus for the period		1,935,790	-

The notes set out on pages 14 to 18 form an integral part of these Financial Statements



Administrator of the Fund
Name: Mr. Jacob M. Onkeo



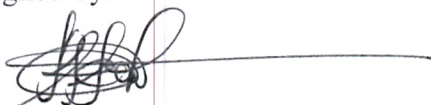
Fund Accountant
Name: Dennis Aamba
ICPAK Member Number: 17821

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	4	135,685,790	77,108,588
Non-current assets			
Long term receivables from exchange transactions	5	-	56,641,412
Long term receivables from non-exchange transactions	6	64,250,000	64,250,000
Total assets		199,935,790	198,000,000
Net assets			
Revolving fund		198,000,000	198,000,000
Accumulated surplus		1,935,790	-
Total net assets		199,935,790	198,000,000

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 30/11/2022 and signed by:



Administrator of the Fund
Name: Mr. Jacob M. Onkeo




Fund Accountant
Name: Dennis Aamba
ICPAK Member Number: 17821

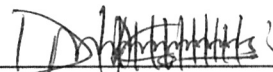
KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Revolving Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2020	340,000,000	-	340,000,000
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Loan disbursement paid out	(142,000,000)	-	(142,000,000)
Balance as at 30 June 2021	198,000,000	-	198,000,000
Balance as at 1 July 2021	198,000,000	-	198,000,000
Surplus for the period	-	1,935,790	1,935,790
Funds received during the year	-	-	-
Balance as at 30 June 2022	198,000,000	1,935,790	199,935,790



Administrator of the Fund
Name: Mr. Jacob M. Onkeo



Fund Accountant
Name: Dennis Aamba
ICPAK Member Number: 17821

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	1	5,992,556	4,758,954
Total Receipts		5,992,556	4,758,954
Payments			
Fund administration expenses	2	-	4,758,954
Use of goods and services	3	4,056,766	
Total Payments		4,056,766	4,758,954
Net cash flows from operating activities		1,935,790	-
Cash flows from investing activities			
Proceeds from loan principal repayments		56,641,412	112,185,756
Loan disbursements paid out (Car Grant)		-	(142,000,000)
Transfer of deposit from cash to long term receivables from non-exchange transactions	6	-	(64,250,000)
Net cash flows used in investing activities		56,641,412	(94,064,244)
Net increase /(decrease) in cash and cash equivalents		58,577,202	(94,064,244)
Cash and cash equivalents at 1 JULY 2021	4	77,108,588	171,172,832
Cash and cash equivalents at 30 JUNE 2022	4	135,685,790	77,108,588



Administrator of the Fund
Name: Mr. Jacob M. Onkeo



Fund Accountant
Name: Dennis Aamba
ICPAK Member Number: 17821

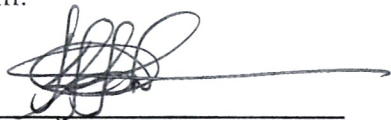
KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

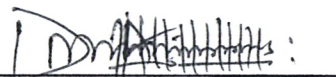
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performanc e difference	% Utilization
	2022	2022	2022	2022	2022	2022
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Interest income	6,265,000	-	6,265,000	5,992,556	272,444	96%
Total Revenue	6,265,000	-	6,265,000	5,992,556	272,444	96%
Expenses						
Use of goods and services	6,265,000	-	6,265,000	4,056,766	2,208,234	65%
Total Expenses	6,265,000	-	6,265,000	4,056,766	2,208,234	65%
Surplus /Deficit for the year	-	-	-	1,935,790	(1,935,790)	

Note:

The under expenditure in use of goods and services by 35% was as a result of reduced activities being the last year of the Member's term.



Administrator of the Fund
Name: Mr. Jacob M. Onkeo



Fund Accountant
Name: Dennis Aamba
ICPAK Member Number: 17821

KISII COUNTY ASSEMBLY MEMBER’S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kisii County Assembly Members’ Loan and Mortgage Fund is established by and derives its authority and accountability from Kisii County Assembly Member’s Loan and Mortgage Fund Act, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya. The principal activity/mission/ mandate of the Fund is to provide Mortgages and Car loans to Members of Kisii County Assembly and Staff.

2. 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.

3. Adoption of New and Revised Standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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; • 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

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

Standard	Effective date and impact:
	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 2023</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;</p> <p>(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 2023:</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 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that</p>

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND
Reports and Financial Statements For the year ended 30 June, 2022

Standard	Effective date and impact:
	<p>leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2022.

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021/2022 was approved by the County Assembly on 23rd June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations in the 2021-2022 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12.5 of these financial statements

a) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

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Significant Accounting Policies (Continued)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

b) 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.

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Significant Accounting Policies (Continued)

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.

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.

c) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

d) Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

e) 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.

f) 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.

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Significant Accounting Policies (Continued)

g) 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.

h) Comparative figures

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

i) Events after the reporting period

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

j) Ultimate and Holding Entity

The Fund is a County Public Fund established by Kisii County Assembly Member's Loan and Mortgage Act, 2014 under the County Assembly of Kisii.

k) Currency

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

5. 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.

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.

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Useful lives and residual values

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

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

Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6. Notes to the Financial Statements

1) Interest Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest income from loans (mortgage and car loans)	851,391	4,758,954
Interest from fixed deposit	5,141,165	
Total interest income	5,992,556	4,758,954

2) Fund Administration Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Professional services costs	-	4,758,954
Total	-	4,758,954

3) Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Fund administration expenses	3,205,375	-
Loan processing costs SBM	851,391	-
Total	4,056,766	-

4) Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Fixed deposits account	135,587,817	77,108,588
Current account	97,973	-
Total cash and cash equivalents	135,685,790	77,108,588

The balance for 2020-2021 has been restated from Kshs.141, 358,588 to Kshs.77, 108,599 by transferring the balance of Kshs.64, 250,000 held in Kenya Depository Insurance Corporation (KDIC) from cash and cash equivalents to long term receivables from non-exchange transactions. This was because the balance of Kshs.64, 250,000 did not satisfy the definition of cash and cash equivalents.

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Notes to the Financial Statements (Continued)

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

Financial institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed deposits account			
SBM Bank	0252096101001	135,587,718	77,108,588
Sub- total		135,587,718	77,108,588
b) Current account			
SBM Bank	0252096101005	97,973	
Sub- total		97,973	
Grand total		135,685,790	77,108,588

5) Long Term Receivables from Exchange Transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Non-Current receivables		
Long term loan repayments due	-	56,641,412
Total	-	56,641,412

6) Long Term Receivables from Non-Exchange Transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Non-Current receivables		
Kenya Depository Insurance Corporation	64,250,000	64,250,000
Total	64,250,000	64,250,000

7) Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year	1,935,790	-
Net cash flow from operating activities	1,935,790	-

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Other Disclosures

8) 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) Kisii County Assembly;
- b) Fund Management Committee; and
- c) Key management personnel.

9) Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2022				
Receivables from exchange transactions				

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Receivables from non-exchange transactions (Long term Held in KDIC)	64,250,000	64,250,000		
Bank balances	135,685,790	135,685,790		
Total	199,935,790	199,935,790		
At 30 June 2021				
Receivables from exchange transactions	56,641,412	56,641,412		
Receivables from non-exchange transactions	64,250,000	64,250,000		
Bank balances	77,108,588	77,108,588		
Total	198,000,000	199,935,790		

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Fund has significant concentration of credit risk on amounts due from customers.

The Committee 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.

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.

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Other Disclosures (Continued)

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. Interest rate risk

Interest rate risk is the risk that the Fundy's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue to sustain its services. The Fund's capital structure comprises of the following funds:

	2022	2021
	Kshs	Kshs
Revolving fund	198,000,000	198,000,000
Accumulated surplus	1,935,790	-
Total funds	199,935,790	198,000,000
Total borrowings	0	0
Less: cash and bank balances	135,685,790	77,108,588
Net debt/(excess cash and cash equivalents)	(135,685,790)	(77,108,588)
Gearing	0%	0%

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

The following is the summary of issues raised by the Auditor-General, and management comments that were provided to the auditor together 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	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>Unconfirmed Cash and Cash Equivalent</p> <p>The statement of financial position reflects cash and cash equivalents balance of Kshs.141, 358,588 as disclosed in Note 11 to the financial statements. The balance includes an amount of Kshs.64, 250,000 claimed to have been transferred from Chase Bank to Kenya Deposit Insurance Corporation by the Central Bank of Kenya. However, the amount was not supported by a credit advice at the time of transfer.</p> <p>In the circumstances , the accuracy and completeness of the cash and cash equivalents balance could not be confirmed</p>	<p>Supporting documents for the Kshs.64, 250,000 have since been provided to the auditors.</p>	<p>Resolved</p>	<p>N/A</p>