

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 FEB 2023	DAY: WED
TABLED BY:	Deputy Leader majority party Hon Owen Bayo, MP
CLERK-AT THE TABLE:	Funlayo Murithi

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REPORT

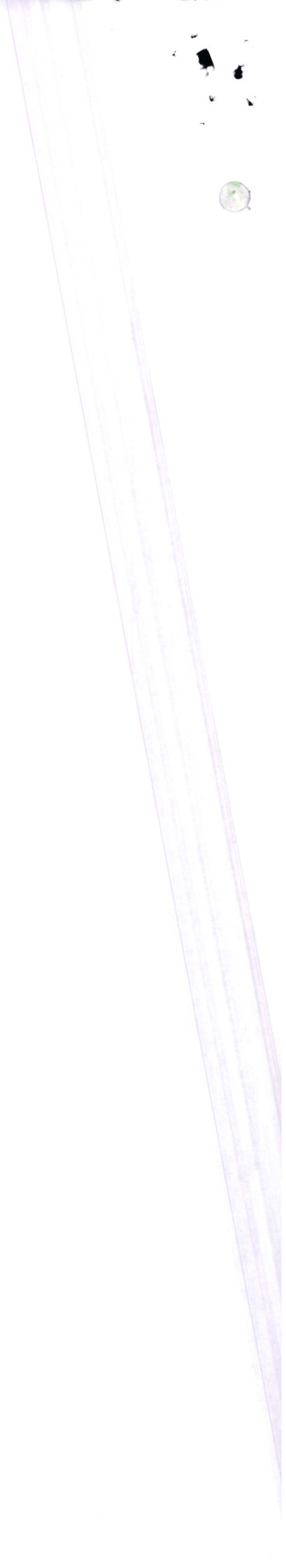
OF

THE AUDITOR-GENERAL

ON

**PARLIAMENTARY MORTGAGE
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**





PARLIAMENTARY SERVICE COMMISSION

PARLIAMENTARY MORTGAGE SCHEME FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

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1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

CEO	Chief Executive Officer
CNA	Clerk of the National Assembly
CPST	Centre for Parliamentary Studies and Training
COS	Clerk of the Senate
DFA	Directorate of Finance & Accounting
DG	Director General of the Parliamentary Joint Services
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSC	Parliamentary Service Commission
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Glossary of Terms

Fiduciary management - Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

2. Key Fund information and management

a) Background information

The Parliamentary Mortgage Scheme Fund was established in 2002 through Legal Notice No. 117 being the Exchequer and Audit (Parliamentary Mortgage Scheme Fund) Regulations, 2002, with the objective of providing a loan Scheme for the purchase of residential property by members. This objective clause was amended in 2003 to also include loans for the development of such residential property.

The Fund was established with an initial capital of ninety million (Ksh.90, 000,000.00) paid out of the vote of the National Assembly for the year 2001/2002. This has since been raised to ksh.7 billion in accordance with the amendments to the enabling Legislation enacted in 2003 and 2008. The Legal Notice No. 1 of 27th January 2012 provided for Members of the 10th Parliament to each be eligible for a further loan not exceeding Ksh.5 million repayable on or before 30th June 2012 or two months before the general elections, whichever date was later. However, these regulations have since been reviewed under the Public Finance Management Act, 2012 – Parliamentary Mortgage (Staff) Scheme Fund and Parliamentary Mortgage (Members) Scheme Fund as Legal Notices No. 18 and 67 of 2013, respectively.

These regulations have however also been amended by the Parliamentary Service Commission through the powers conferred by section 24 of the Public Finance Management Act. These changes can be cited as the Public Finance Management (Parliamentary Mortgage (Members) Scheme Fund) (Amendment) Regulations, 2015, the Principal Regulation being further amended in 2020.

The Fund is administered by the Loans Management Committee chaired by the Vice Chairperson of the Parliamentary Service Commission. The Committee is charged with the responsibility of processing loans from applicants in accordance with laid down regulations, liaising with housing company (if any) to set up a revolving Fund for the disbursement of loans and supervising the day-to-day operations of the Fund. The Officer Administering the Fund is responsible for the day-to-day operations.

b) Principal Activities

The principal mandate of the Fund is to facilitate acquisition of residential property for Members of National Assembly, the Senate and staff of Parliamentary Service Commission by providing a loan Scheme for the purchase and/or development, renovation or mortgage redemption of property by members

of the Scheme; and to perform other functions necessary for the welfare of the honourable Members and staff.

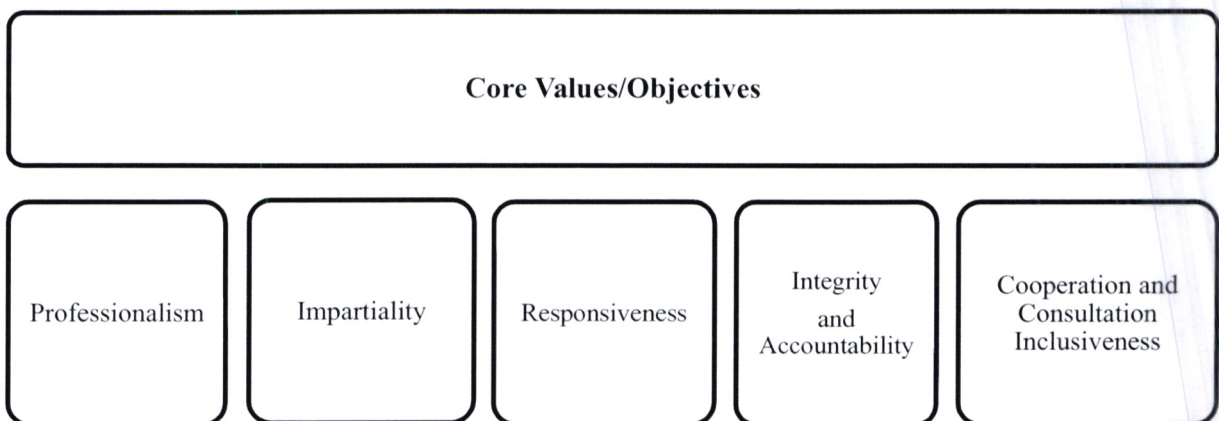
The Fund is administered by the clerk of the National Assembly. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

Vision of the Parliament

Democratic and people centred Parliament.

Mission

To facilitate Members of Parliament to efficiently and effectively discharge their constitutional mandate of representation, legislation and oversight.



c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
1	Chairperson Mortgage loan Fund, Vice chair PSC	Hon. Joyce C. Korir
2	Member/Chairperson-Members welfare Committee	Hon. Eric O. Mogeni
4	Member/Chairman-Staff welfare Committee	Hon. Mohamed A Mohamed
5	Member/ Majority Chief Whip of The National Assembly	Hon. Silvanus O. Osoro
6	Member/ Majority Chief Whip of The Senate	Hon. Dr. Bonny Khalalwe
7	Member/ Minority Chief Whip of The National Assembly	Hon. Junet Mohamed
8	Member/ Minority Chief Whip of The Senate	Hon. Olekina Ledama
9	Member/Commissioner, PSC	Hon. Rachel A. Amolo
10	Member/Commissioner, PSC	Hon. Johnson N. Muthama
11	Member/Clerk of The Senate	Mr. Jeremiah M. Nyegenye
12	Member/Clerk of The National Assembly/Fund Administrator	Mr. Samuel J. Njoroge
13	Member /Director General of The Parliamentary Joint Services	Mr. Clement Nyandiere
14	Member/Staff-elected representative	Ms. Diana Kimeto



Key Fund and Information Management (Continued)

d) Key Management

The Scheme Fund's day-to-day operations management is under the Clerk of the National Assembly, the Officer Administering the Fund, who designates and appoints such staff as may be necessary to assist in the administration of the Fund.

The Parliamentary Mortgage Scheme Fund's day-to-day management is under the following key officers:

Ref	Position	Name
1	Clerk of the National Assembly, the Fund Manager/Administrator	Mr. Samuel J. Njoroge
2	Director, Litigation & Compliance.	Mr. Anthony T. Njoroge
3	Director, Finance and Accounting	Mr. Joel Irungu
4	Deputy Director, Finance and Accounting.	Mr. Peter A. Meikoki
5	Clerk Assistant	Mr. Moses Lemuna

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Deputy Clerk of the National Assembly of Kenya	Mrs. Serah M. Kioko
2	Director, Internal Audit	Mr. George Arum
3	Chief Advisor, Mortgage Loan Advisory Committee	Mr. Peter A. Meikoki.

f) Registered Offices

The National Assembly of Kenya
Parliament Buildings
P.O. Box 41842-00100,
Nairobi.

g) Fund Contacts

Telephone: (254) (020) 2221291
E-mail: clerk@parliament.go.ke
Website: www.parliament.go.ke

h) Fund Bankers

1. Cooperative Bank of Kenya Limited

Parliament Road branch

P.O Box 5772-00200,

Nairobi

2. Kenya Commercial Bank

Kipande House branch

P.O BOX 48400-00100

Nairobi

i) Independent Auditor

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi

j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112-00200

Nairobi

3. The Fund Administration Committee



**Hon. Joyce Korir
Chepkoech (born 1981)**

The Vice Chairperson Parliamentary Service Commission and Chairperson Parliamentary Mortgage Loans Management Committee.

Degree of Arts in Communication & public relations-Moi University

Diploma Geomaniacs & Leadership-JKUAT
Certificate in Legal Court Clerk.

Served as a Member Committee on National Cohesion and Equal Opportunity.

Served as Speaker, and a Member of County Assembly-Bomet County

He has excellent business acumen skills, leadership skills, an excellent Board room negotiator, amongst other key skills.



Hon. Eric Okongo Mogeni (born 1971)

Member/Commissioner/Chairperson-Members Welfare Committee.

Masters in Leadership- Jomo Kenyatta University of Arts and Technology

Bachelor of Laws (LLB)

Diploma Legal Studies and Legal Practice)- Kenya School of Law

Chairman, Kenya Anti-Corruption Advisory Board-2009-2012

National Chairman Law Society of The Kenya Governing Council-2007-2010

AWARDS

2004: The international commission of jurists ICJ Kenya award for a member of good standing and commitment to human rights democracy and the rule of law.

2007: Awarded certificate of service for having served with distinction as a council member of the law society of Kenya 2005-2007.



Hon. Mohamed Ali Mohamed (born 1979)

Member/Commissioner/Chairman, Parliamentary Service Commission Committee of Staff welfare.

Masters in Diplomacy and Foreign Policy.

Bachelor of Science in Communication

Diploma in Journalism

Experience in Media Investigations, Programme production, Continuity presenter, News writing, feature writing, scripting and editing, Photojournalism, translation and presentation, outside broadcasting (Commentary) and reporting both in radio and T.V.



Hon. Silvanus Osoro (born 1987)

Member/ Majority Chief Whip, National Assembly.

Bachelor of Laws (LLB)- Mt. Kenya University

Managing Director/Founder Pitchface Marketing.

Served as a Member of Departmental Committee on Defence and Foreign Relations

Served as a Member of Committee on Implementation a committee Mandated with the responsibility of scrutinizing the resolutions of the House (including adopted committee reports), petitions and the undertakings given by the National Executive.



Hon. Dr. Bonny Khalwale (born 1960)

Member/ Majority Chief Whip of the Senate.

Degree in Medicine- University of Nairobi.

Served as a Medical officer Ministry of Health

Served as chairman of the Parliamentary Accounts Committee in the 9th Parliament where he made a reputation for leading censure motions against high profile cabinet ministers.

He was appointed on a similar role in the 10th Parliament



Hon. Junet Sheikh Nuh Mohamed (born 1977)

Member/ Minority Chief Whip of the National Assembly.

Bachelor's Degree in Business Administration.

Diploma in Business Management.

Served as member of Departmental Committee on Energy, Communication & Information and the Public Accounts Committee



Hon. Olekina Ledama (born 1974)

Member/Minority Chief Whip of The Senate.

Holder of a BA in Political Science and English Communication from the University of Massachusetts, Boston USA.

He has been a lecturer in various institutions on graduation.

He is actively involved in community works in Narok where he is the Senator since the 12th Parliament.

He is currently the Senate Minority Whip and a Member of the Senate County Public Accounts and Investment.



Hon. Rachel Ameso (born 1968)

Member/Commissioner Parliamentary Service.

Masters in Business Administration, Strategic Management.

Bachelors of Business Administration in Entrepreneurship.

Higher Diploma in Business Management.

Certified Human Resource Professional (CHRP)

2013-2017: Member of Parliament

2003 to Date: Managing Director-Fast Trac Group of Companies



Hon. Johnson N. Muthama (born 1954)

Member/Commissioner non-Parliamentarian Member of the Parliamentary Service Commission.

Holder of a Bachelor of Science in social science, from Arden University and is a graduate of the Gemological Institute of America. He has holds different leadership roles in mining and related companies.

Chair and Director of Muthama gemstone (K) Ltd & Rockstone properties Ltd.

Current member of the geological society of Kenya, Kenya private sector alliance, and the American chamber of commerce of Kenya.

Has served as minority chief whip in the Senate.

He has excellent business acumen skills, leadership skills, an excellent Board room negotiator, amongst other key skills



Mr. Jeremiah M. Nyegenye, CBS (born 1971)

Member/Clerk of The Senate /Secretary and the Accounting officer Parliamentary Service Commission.

He is an advocate of the High court of Kenya.

Certified Public Secretary

Member of Law society Kenya.

Done extensively on Legislative drafting in Kenya and beyond.

An alumnus of the Blavatnik school of Government, university of Oxford where he attended the Executive Public Leaders programme in 2019.



Mr. Samuel J. Njoroge (born 1979)

Clerk of the National Assembly and Officer Administering the Parliamentary Mortgage Loan Funds.

Master's Degree in Business Administration with specialization in Strategic Management.

Bachelor's Degree in Environmental Planning.

Holds a Certificate in Legislative Management, Certificate in Legislative Drafting.

Has undertaken numerous legislative trainings and attachments relating to leadership, strategic management, legislative, procedural and parliamentary affairs in various legislatures



Mr. Clement Nyandiere, MBS (born 1973)

Member /The Director General and Accounting officer Parliamentary Joint Services.

Directly responsible over directorates of Administration Parliamentary Service Commission.

Served as lecturer of information systems and Director of the Information Technology Centre (2002 – 2007) and concurrently Dean, Faculty of Information Technology (2003 – 2007) at the Strathmore University.

Board member CPST Board of Management.

Member of the Institute of Human Resources Management (IHRM), Kenya Institute of Management (KIM), and the Computer Society of Kenya (CSK)



Ms. Diana Kimeto
(born 1973)

Member/ Staff- Elected
Representative

Holds MSC Human Resource
Management.

Certified HRM

Over 23yrs experience
working with PSC- 8yrs
working as HRMO.

Currently managing medical
Scheme for Honourable
members and staff

4. Management Team

•Clerk of the National Assembly / Officer Administering the Parliamentary Mortgage S Fund/Accounting officer of the National Assembly of Kenya

- Masters in Business Administration with specialization in Strategic Management.
- Bachelor's Degree in Environmental Planning
- Holds a Certificate in Legislative Management & Legislative Drafting.
- Has undertaken numerous legislative trainings and attachments relating to leadership, strategic management, legislative, procedural and parliamentary affairs in various legislatures.

Mr. Samuel J. Njoroge



•Director Litigation and Compliance Services.

- Legal adviser Parliamentary Mortgage Fund
- Activities and Societies- Law Society of Kenya, East Africa Law Society and Commonwealth Law society.

Mr. Anthony Njoroge



•Director Finance & Accounting

- Holds Masters in Business Administration in Finance, Bachelor of Arts and a Diploma in Public Finance
- Worked in various ministries including the National Treasury
- Wide experience in Public Finance (over 30yrs)
- Done extensive work in Budgeting and Public Finance management.
- Incharge of the finance function of the Parliamentry Service Commission.

Mr. Joel Irungu



•Deputy Director Finance and Accounting Services

- He holds a Masters degree in Business Administration (MBA) and a Bachelor of Arts Degree (Finance).
- He is a Certified Public Accountant, CPA(K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).
- He is responsible for Financial Accounting & Management Accounting functions of the National Assembly of Kenya.
- Chairman of the Bunge Sacco Society.

CPA Peter A. Meikoki



•Clerk Assistant in the Office of the Clerk of the National Assembly Secretary Parliamentary Mortgage Scheme Fund.

- Holds Masters in Business Administration and Bachelor of Arts in Education.
- Has vast experience of over 17years in public service and management

Mr. Moses Lemuna



5. Chairperson's Report

It is the dream of most Kenyans to own a home they can call their own. However, the cost of a house is such that it is difficult to save and accumulate enough money to purchase it with outright cash. The Parliamentary Mortgage Scheme Fund provides Members and Staff of Parliament with the opportunity to buy or build a house using a Mortgage that is repayable prior to completion of their tour of duty.

The Mortgage loan facility is the result of collaboration between the National Treasury and the Parliamentary Service Commission. The Scheme is set up as revolving Fund. The National Treasury provided the initial Seed Capital for the Fund while the Parliamentary Service Commission provides the governance and management capabilities to run the Fund. The maximum Mortgage loan entitlement for Members of Parliament during the year under review was retained at the Kshs.35 million. The Loans Management Committee is grateful to the National Treasury, the Parliamentary Service Commission and the Salaries and Remuneration Commission for their respective roles in enabling the Mortgage Scheme achieve its objectives of facilitating Members and staff of Parliament to access Mortgage facilities to acquire residential homes.

The Loans Management Committee is responsible for overseeing the administration of the Fund which includes processing of applications for loans in accordance with the existing terms and conditions of borrowing. During the period under review, the Committee received and approved 247 loan applications from Honourable Members valued Ksh.5.6 billion. This translates to about 59% of the total number of Members. The Fund aims to hit a 75% target in the current Parliamentary term. 9 loans to the members of staff valued Ksh.118.4 million were also considered and paid during the same period.

All loans from the term of 12th Parliament were fully paid except for Ksh.2,410,668 payable from the insurance company under the Fund's Group life policy.

During the period, the Fund had budgeted for a capital enhancement of Ksh.1.5 billion budgeted for under the National assembly but only received Ksh.500 million. Until the Fund receives relatively sufficient capital enhancement, loan approvals for members of staff will remain minimal. This means that in the event of delayed capital enhancement, staffers will only access this facility based on receipts from the monthly loan repayments of the current running staff loans. The Fund activities are expected to increase in the subsequent periods once this enhancement is received. This is because there is a big number of new

staffers who have been confirmed on permanent and pensionable terms and are eligible to seek for the mortgage loan facility.

It is anticipated that the provision of this facility shall encourage Members and staff of Parliament to continue undertaking their duties and responsibilities with zeal and true Kenyan patriotism.

HON. JOYCE C. KORIR, MP
CHAIRPERSON, LOANS' MANAGEMENT COMMITTEE.

6. Report of the Fund Manager/ Administrator

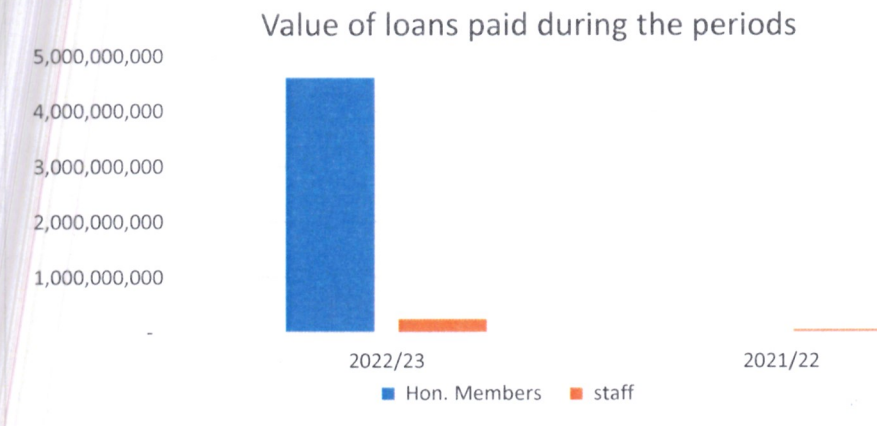
Section 24(3) of the Public Finance Management Act, 2012 requires the Officer Administering Fund to prepare financial statements in respect of the Parliamentary Mortgage Scheme Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that period. The Officer Administering the Fund is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Officer Administering Fund is also responsible for safeguarding the assets of the Fund.

The Officer Administering the Fund is responsible for the preparation and presentation of the Parliamentary Mortgage Scheme Fund financial statements, which give a true and fair view of the state of affairs of the Scheme for the year ended on 30th June, 2023. The responsibilities include:

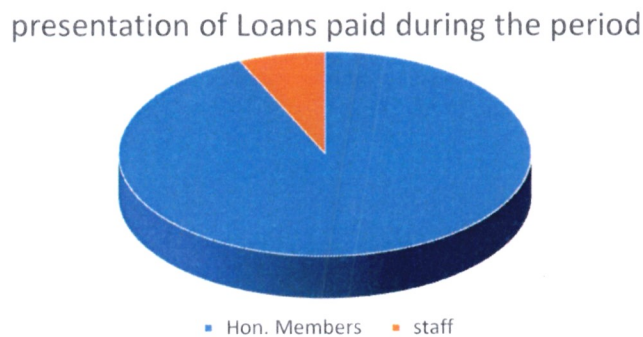
- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at all times the financial position of the Fund;
- c) Designing, implementing 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Officer Administering the Fund accepts responsibility for the Scheme 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. The Officer Administering Funds is of the opinion that the Scheme's Annual financial statements give a true and fair view of the state of Fund transactions during the year ended 30th June, 2023 and of the Scheme financial position as at that date. The Officer Administering the Fund further confirms the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme financial statements as well as the adequacy of the systems of internal financial control.

During the reported period under review, the Loans Management Committee considered and approved 247 loan applications from the Honourable Members valued ksh.5,632,951,836. Out these applications, 202 loans valued Ksh.4,617,411,680 have been paid so far. Approved loan applications from members of staff were 18 and valued Ksh.231,150,000, with all having been paid. The Fund aims to attain a target of 75% loan uptake by the Honourable Members of the 13th Parliament. Based on the applications already approved, we are at 59%. We achieved 71% in the 12th Parliament.



Loan applications from Staffers were temporarily decelerated in the 2nd quarter of the year under review. However, normalcy will be expected once a capital enhancement from the National Treasury is received. During the year, the Fund only considered and approved 18 loan applications from members of staff compared to 247 from Honourable Members. In the year under review, the Fund had budgeted for a capital enhancement of Ksh1.5billion. However, we have so far received Ksh.500 million bringing the paid-up capital to Ksh.7 billion up from Ksh.6.5 billion. The Fund will always seek to invest any surplus cash in short term fixed deposits whenever possible. This way the Fund generates extra income through interest, which enhances the capital growth and absorbs more clients.



The Fund has keen interest in the payroll deductions to ensure compliance to the required monthly loan repayments from the loaned individuals. Clients are also encouraged to enhance repayments from other sources of income. All Mortgage loans advanced to Honourable Members of the 12th Parliament were fully paid except one with an outstanding balance of Ksh.2,410,668, which is claimable under Parliamentary group life police. The claim has already been submitted to the concerned insurance company. All loans are insured through group life policy and the properties are insured against fire through group domestic fire policy. The original charge documents are always under the custody of the Fund administrator and are released to the owner upon loan clearance.

Nothing has come to the attention of the Officer Administering the Fund to indicate that the Parliamentary Mortgage loan Scheme Fund will not remain a going concern for at least the next twelve months from the date of this statement.



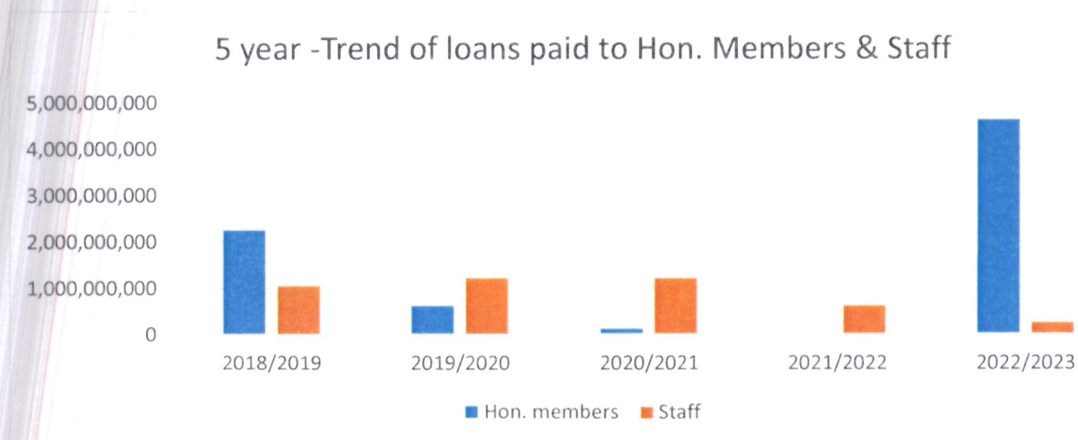
SAMUEL NJOROGE

CLERK OF THE NATIONAL ASSEMBLY, THE FUND ADMINISTRATOR

7. Statement of Performance against Predetermined Objectives

The Fund was hopeful of achieving at least 75% loan uptake by the Honourable Members of the 12th Parliament; however, we managed 71%. We are hopeful of achieving 75% in the current 13th Parliamentary term. Loans uptake by the Honourable Members is usually high in the first two years of every Parliamentary term with declining rate in the subsequent periods toward the end of each Parliamentary cycle. Maximum loan repayment period for the Members of Parliament is up to the end of the Parliamentary term.

The Staff have continued to access loans as per their job scale which is repayable within a maximum of 20 years or lesser depending on period remaining to retirement. Loan applications and processing for the staff has remained averagely constant; since staff are permanent employees of the commission; unlike the Honourable Members who only have the Parliamentary term of 60 months to clear their loans.



The graph shows declined loans up take towards the end of the term of the 12th Parliament by the Honourable Members. The decline was due to shorter loan repayment period as the parliamentary term was coming to an end. As at the end of the term in August 2022, there were zero loans applied by the Honourable Members. This decline in the loans uptake resulted in the Fund having more cash which was invested in fixed deposits to earn some interest. The sharp increase in loan uptake during the period was because the 13th Parliamentary term had just started, with a lot of interest from Members of Parliament for the facility. Consequently, there was decrease in cash to invest in fixed deposits since most of it was paid out in loans.

Parliamentary Mortgage Fund Strategic Pillars

The Parliamentary Mortgage Scheme Fund has two main strategic pillars and objectives within the current Strategic Plan of the Parliamentary Service Commission which covers the period from 2019 to 2030. These strategic pillars are:

Pillar 1: Provision of a modern and secure working environment

Pillar 2: Excellence in Service Delivery.

The Parliamentary Mortgage Scheme Fund develops its annual work plans based on the 2 Themes mentioned above. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Parliamentary Mortgage Scheme Fund achieved its performance targets set for the FY 2022/2023 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Provision of a Modern and secure working environment	(i) To gain confidentiality of clients as they seek financial advice on matters mortgage documents and personal loan files (ii) To ensure safety of charge	<ul style="list-style-type: none"> Efficiently served clients Document safety 	The Fund Administrator to Liaise with the office of Director General for allocation of a more spacious office.	Fund office was issued with additional fire prove safes for the safe custody of charge documents The office of DG has promised the Fund office a more spacious office, but based on availability.
Pillar 2: Excellence in Service Delivery	(i) To develop the capacity and capability of Mortgage Fund office as an office of excellence in Service delivery (ii) To enhance human resource/strengthen staff capacity	Improvement in service delivery	<ul style="list-style-type: none"> Fund administrator ensures regular staff trainings The DFA ensures more officers are deployed to the Fund office since the fund serves many clients and staffer who manage the office are few in comparison. 	<ul style="list-style-type: none"> Adequate trainings of the officers by National Treasury especially on matters of reporting. Staffers attend ICPAK workshops and seminars to acquire more skills through training.

8. Corporate Governance Statement

The Parliamentary Service Commission is yet to develop a policy on corporate governance statement which the Parliamentary Mortgage Scheme Fund can adopt and implement.

The administration committee members retire by vacation of office through dissolution of Parliament and reconstitution of members of the Parliamentary Service Commission after an election, while staff representative is in office following an election by members of staff when need arises. This is in accordance with the laid-down Scheme Fund regulations.

The committee may from time to time approve trainings for the officers administering the Fund at the request of the Fund administrator. These training may include benchmarking with other such Funds, and aimed at improving the Scheme Funds administration.

Parliamentary Mortgage Fund Succession plan

The Fund Administrator, in liaison with the Directorate of Finance and Accounting Leadership, identifies Staffers who can be suitable loan officers and who seem well suited to run the Fund office, including being able to work under pressure and deliver effectively. These officers usually undergo on-the-job training to become better credit officers. The Administrator also ensures that the officers acquire and sharpen the required skills through education and training. Not only does this keep officers engaged and more productive but also ensures that there are people who have been prepared to step into a role instead of being thrown into it in the event of an unexpected emergency.

This is attainable when the officers who have manned the Fund office for long periods work alongside their successors for a period of time to transfer institutional knowledge. Additionally, the Fund Regulations are always available and applicable as guidance to better manage the Fund.

The Fund Administrator has always ensured that the staffers get adequate trainings via workshops and seminars through the Directorate of Finance and Accounts and the National Treasury. The Fund Management also benchmarks for best practices from other similar Funds aimed at bettering the Parliamentary Mortgage Scheme Fund operations.

Administration Committee meetings

The meeting of the committee is usually convened by the chairperson or in the absence of the chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary for the discharge of the committee's functions. The quorum for the meetings of the Committee is the Chairperson and any two members. The Committee considers and approves or rejects loan applications presented by the Officer Administering the Fund. During the period under review, committee member attendance was as scheduled below:

MEMBER	MEETING HELD ON DATES (2022/2023)												TOTAL SITTINGS ATTENDED				
	06/Jul/2022																
	Hon. Members loan Meeting	Staff Members loan Meeting	Hon. Members loan Meeting	Staff Members loan Meeting	Hon. Members loan Meeting	Staff Members loan Meeting	Hon. Members loan Meeting	Staff Members loan Meeting	Hon. Members loan Meeting	Staff Members loan Meeting	Hon. Members loan Meeting	Staff Members loan Meeting					
Hon. Dr. Naomi shaban	✓																1
Hon. Sen. Aaron Cheruiyot	✓																1
Hon. Samuel Chepkonga	✓																1
Hon. Rachel Ameso	✓																1
Hon. Beth Mugo	✓																1
Hon. Emmanuel Wangwe																	
Hon. Junet Nur																	
Hon. Paul K Wamatangi																	
Hon. Mutula Kilonzo																	
Mr. Jeremiah Nyegenye	✓																1
Mr. Clement Nyandiere	✓																1
Ms. Diana Kimeto	✓																1

*Parliamentary Mortgage Scheme Fund
Annual Report and Financial Statements For the year ended 30th June 2023*

	MEETING HELD ON DATES (2022/2023)												TOTAL SITTINGS ATTENDED
	23 rd Nov, 2022			8 th Dec, 2022			23 rd Feb, 2023						
	Hon. Members loan Meeting	Staff Members loan Meeting	✓	Hon. Members loan Meeting	Staff Members loan Meeting	✓	Hon. Members loan Meeting	Staff Members loan Meeting	✓	Hon. Members loan Meeting	Staff Members loan Meeting	✓	
MEMBER													
Hon. Joyce C. Korir	✓	✓		✓	✓		✓						6
Hon. Eric o. Mogeni	✓			✓									3
Hon. Mohamed Ali		✓			✓								2
Hon. Silvanus Osoro	✓			✓									2
Hon. Bonny Khalwale	✓												1
Hon. Fatuma A Dullo	✓			✓									3
Hon. Ole Kina Ledama													
Hon. Johnson Muthama													
Hon. Junet Nuir	✓												1
Mr. Jeremiah Nyegenye				✓						✓			4
Mr. Clement Nyandiere										✓			3
Ms. Diana Kimeto	✓									✓			2

The Parliamentary Mortgage Scheme Fund adheres to the following office Service Charter-

No.	Service Rendered	Requirements to obtain Services	Time line
1	Written correspondence	Client written enquiry	Maximum of 3 working days depending on the correspondence
2	Telephone enquiry	Client telephone enquiry	Maximum of 7hrs from time of the enquiry
3	E-mail enquiry	Client email enquiry	Maximum of 12hrs from time of enquiry
4	Loan application feed back	Client submitting documents as per the check list	Maximum 20min required to verify the documents
5	Loan Disbursement	Perfected Legal documents	within maximum of 2days after legal office has verified the charge and submits file to the mortgage office.
6	Insurance for loans paid	Loans processed/paid out	Fund to notify insurance company the same day the loan is paid
7	Loan repayment	Client loan paid out	Instruct HR to effect deductions immediately.
8	Access to loan statement	Client request	Process instantly
9	Access to charge documents after client clears the loan repayment	Client request	Maximum of 12 working hrs.
10	Quarterly financial reports and statements	End of every quarter in accordance with international Public sector accounting Standards	By 15 th of the month following end of the quarter.
11	Annual financial reports and statements	End of every Financial year 30 th June, in accordance with International Public	By 15 th of September

		Sector Accounting Standards	
12	Response to audit queries	OAG review of the financial Reports and Statements.	Within the time frames issued by the OAG

The Fund Administration Committee Ethics, Conduct and the Conflict of interest issues

The Parliamentary Service Commission on the 25th May, 2022 considered the proposed risk management policy as mandated by Section 165 of the Public Finance Management Regulations, 2015 which requires that the Accounting Officer should ensure that their entity develops risk management strategies that prevent fraud and a risk management system and internal control that ensures solidly built business operations.

The Commission has put in place good structures and measures that allow the flow of work to be efficient ensuring minimal or no exposure of all Commissioners, Accounting Officers, Senior Managers and staffers from conflict of interest when executing their duties in different capacities on behalf of the Fund. The Funds Administration Committee and management team adheres and tries as much as possible to avoid situations in which they have interest which may conflict with the interest of the Fund, eg a Member would step out of a meeting where his/her application is being considered. As well, there are controls in terms of payment approvals before the funds are released to the beneficiaries account.

The Accounting Officers are the drivers of the culture of risk management in their respective votes with the Director General, PJS as the risk champion who continuously seeks to improve the risk structure of all the votes, through the Directors and HODs who ensure the staff comply with the risk management policy and procedures.

At the moment Risk Management in the Parliamentary Service Commission is in its proposal stage awaiting to be adopted in all the votes.

9. Management Discussion and Analysis

Parliamentary Mortgage Scheme Fund activities are to facilitate purchase and/or improvement of residential property for Members of the National Assembly, Senate and the Parliamentary Service Commission staffers by providing a Loans Scheme facility. The Scheme also performs other functions necessary for the well-being of the Honourable Members and staff. The Fund has always enhanced Loan recoveries from Members to ensure full recoveries will be achieved within the parliamentary term. Staffers are also required to clear their loans within the scheduled loan period. Staffers access loans as per their job scale with a repayment period of up to a maximum of 20 years or lesser depending on period remaining to retirement.

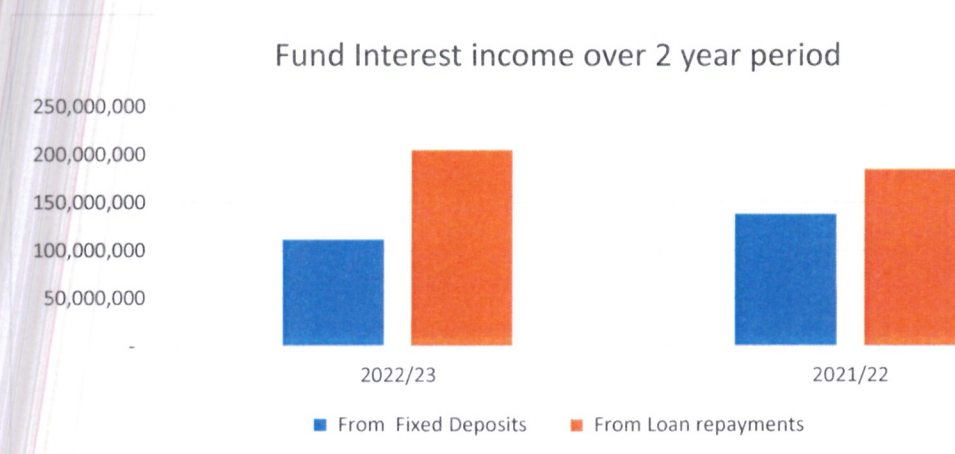
For the reported period, the Funds activities majorly included advising and educating clients, especially the new Parliamentarians and the newly recruited Staffers on Mortgage options on offer by the Fund and the payment terms applicable. During the year, the Fund received and approved loans for 247 Members of the 13th Parliament which translates to 59%. The Fund aims to hit a target of 75% loan applications during the 13th Parliamentary term. The Fund achieved a loan uptake of 71% in the 12th Parliament. All the 12th Parliamentary term loans to the Honourable Members have been fully cleared except one which is a payable insurance claim.

So far, out of the 247 loan applications valued at ksh.5,632,951,836 received from Honourable Members, the Fund has fully paid 202 loans valued at Ksh.4,617,411,680. The Fund is hopeful of hitting the 75% loan uptake in the 13th Parliament. Loan applications from the members of Staff has greatly decelerated. This is because the management temporarily halted issuance of staff loans until the Fund gets a boost in terms of Capital enhancement. However, in the event of delay in the said enhancement, the Fund may start advancing staff loans bit by bit from current monthly staff loan repayments.

The Fund is seeking a Ksh.5 billion capital enhancement from the National Treasury. During the year the Fund had budgeted for Ksh.1.5 billion to be financed through the National Assembly vote. However, as at the closure of the year, 30th June, 2023 we had only received Ksh.500 million. The paid-up capital is now Ksh.7 billion. It is expected that in subsequent financial periods the Fund will be more active once the full Ksh.5 billion capital enhancement is received. This is because the newly recruited Staff of the Commission have since been confirmed to permanent and pensionable terms, thus eligible for the Mortgage facility.

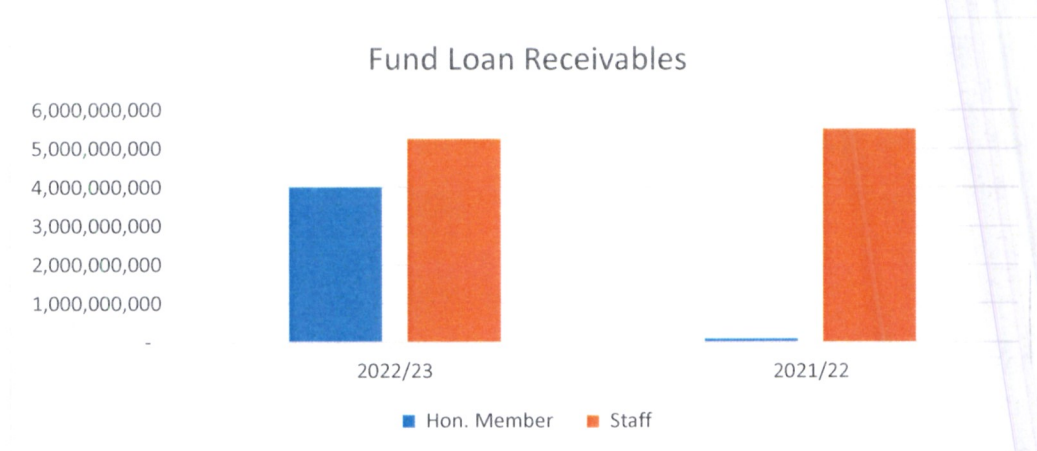
During the year the Fund earned a fixed deposit interest of Ksh.116,507,298 representing a decline of Ksh.21,314,035 compared to Ksh.137,821,333 earned last year, being a -15.5%. However, in the same period the Fund recorded an increase in the interest earned from loan repayments of Ksh.205,382,101 realised in the year compared to Ksh.184,850,065 in the previous period. This translates to an increase of Ksh.20,532,036 (or +11% increase.)

The changes in the interest earned portfolio can be explained by the fact that term of the 13th Parliament is still very young, hence an upsurge of loans processed to the Parliamentarians and at the same time a reduction of any cash which could have been invested in fixed deposits.



A reduction in the fixed deposits interest reported in the current period was because the Fund did not have much idle cash to invest in deposits, while increase in the interest from loan repayments was occasioned by the increased loan uptake during the period.

As at the closure of the period the Funds Loan receivables amounted to Ksh.9,290,387,215 (Members Ksh.4,016,260,986 and Staff Ksh.5,274,124,206) compared to the same period last year of Ksh.5,599,034,393 (Members- Ksh.99,733,062; Staff- Ksh.5,534,358,381).



The significant difference of Honourable Member loan receivables is because in the previous period, the term of the 12th parliament was almost coming to an end meaning most Members had cleared their loan. Meanwhile, in the current period, the Parliament is still relatively young and loan uptake by Members is very high. The reduction on staff loan-receivables is because of the decelerated staff loan applications.

The Fund's activities expose it to a variety of financial risks including credit and market risks. The Funds overall risk management focuses on and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund has in place policies to ensure that loans are only extended to Honourable Members and Parliamentary Staff based on the regulations and their assessed ability to service the same.

(i) Credit risk

The Fund has exposure to credit risk which is the risk that the client (Member of Parliament or Staff of the Parliamentary Service Commission) will be unable to pay amounts in full when due. This is occasioned when the Fund debtor overcommits his/her payslip after the loan has been processed.

However, this risk is mitigated by ensuring that the Fund gets the first charge at the pay-point and also by encouraging loan repayments even from other sources other than payroll only. This ensures timely loan repayment and discharge of the Title encumbrance and release to the owners.

In addition, the loans are insured/covered for group life assurance and properties are insured against domestic fire to mitigate against any loss of the Scheme Fund.

(ii) Market risk

Market risk is the risk arising from changes in the market such as interest rate. The Fund objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return in the case of the short-term deposits.

The Fund's key management appointees are responsible for the development of detailed risk management policies as far as short-term deposit investments are concerned and the Fund has only invested with the three tier banks which offer favourable interest rates to minimise this risk.

(iii) Finance capability risk

There is a risk that the Fund will not be able to accommodate its clientele satisfactorily if the management does not put in place measures to ensure the Funds growth. This is because the Parliament has been expanding since the initiation of the Fund. There have been introduction of the Senate and creation of more constituencies, plus the addition of women representatives leading to an increase in the Members of Parliament from two hundred and twenty-two (222) to four hundred and eighteen (418). Additionally, more Parliamentary staff have been employed, but there has still been very minimal Fund capital enhancement. Currently the Funds paid up capital is Ksh.7 billion, up from ksh.6.5 billion after an enhancement of Ksh.500 million paid during the period under review. However, the Fund had budgeted for ksh.5 billion enhancement from the exchequer.

With the increased uptake of loans by the Honourable Members of Parliament, the Fund did not have any excess cash to invest in short-term fixed deposits as compared to the year 2021/2022. This explains why there was decrease in interest earned from fixed deposits as compared to the previous periods.

10. Environmental and Sustainability Reporting

The Parliamentary Service Commission is a corporate citizen that endeavours to ensure that its operations impact positively to its stakeholders and the general citizenry of Kenya. Parliament exists to provide essential services to the Parliament of Kenya thereby directly impacting on the quality of leadership in terms of representation, oversight and legislation which in turn impacts on all Kenyans. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on the Parliamentary Service Commissions Strategic Pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

(i) Sustainability strategy and profile

The Parliamentary Service Commission has made key efforts and achievements towards sustainability including adopting a policy (the strategic plan) which envisions a green Parliament. To this end the Commission has procured a paperless solution which has to a great extent minimised the use of paper in daily operations. It is also envisioned that all buildings shall use green energy solutions. The Multi storey office block under construction is one such projects that incorporates green energy solutions. Sustainability solutions, though cost effective in the long term, require resources to install and in the prevailing macroeconomic environment may seem to be costly to the institution in the procurement process.

(ii) Environmental performance

The Parliamentary Service Commission is a public entity guided by provisions of the laws of Kenya. Therefore, the environmental policy is anchored on the laws of Kenya and the strategic plan. The strategic plan is the policy tool relied on to guide the organisation on environmental policy. Other than that, the Parliamentary Service Commission is mainly a consumer of various items for use including those of an ICT nature which may not be biodegradable. Our ICT policy provides for proper waste management for radioactive or electronic waste which shall be disposed of only to persons licensed to handle the respective waste under section 88 of the Environmental Management and Coordination Act, 1999.

(iii) Employee welfare

The Parliamentary Service Commission is in the process of adopting its HR manual which comprises of all HR policies which guide on the hiring process. In the hiring of persons, the institution takes into consideration the constitutional principles of gender inclusivity and ethnic balance. The Commission has

procured an online recruitment system which has an instant feedback mechanism and therefore the suggestions of stakeholders are taken into account including an appeal mechanism for when the candidates are of the view that they have been failed unfairly.

Cognizant of the fact that employees are the most valuable assets, the Commission is committed to training and developing all its employees.

Honourable Members and Staff of all cadre have benefited from the training programs which are continuously offered and conducted within and out of the country. Comprehensive training programs are also conducted by the Commission at its Centre for Parliamentary Studies and Training (CPST).

Some of the trainings offered include the following categories;

- Induction programs for Honourable Members of Parliament (both Senate & National Assembly)
- Performance contracting programs for the Senior level staffers of the commission
- Technical skills development for support staff
- Soft skills development to both Members and staff
- Health, Safety & Security Training
- Mandatory programs (promotional certifications)
- Continuous Professional development (CPD) for professional staffers

Other efforts toward enhancing employee job performance and improving effectiveness include:

- Carrying out an organization-wide training needs analysis.
- To identify experts within the Commission and upskill them to conduct various professional development programs for staff/colleagues e.g. Department of Finance and Accounting staffers are attached to various Parliamentary committees where they enhance their secretariat skills as they offer their expertise in Finance related matters.
- Promotion of in-house training – setting up modern classrooms and training sessions eg accountants have had KRA Tax and Treasury IFMIS tailor-made trainings facilitated severally.
- Empowering and incentivizing employees to share knowledge/area of expertise.
- Development of staff through mentoring and coaching programs.
- Staff secondment to various County Assemblies.
- The performance appraisal process has been automated. The system will and has been used to identify employee training needs through the mid-and end-of-year employee appraisal based on performance gaps identified.

Our Schemes of service ensure career growth through the employee's period of service. The Schemes of Service are reviewed as and when required for the development of officers within the service.

(iv) Market place practice

Responsible competition practice.

a) The Parliamentary Service Commission is guided by laws of Kenya on corruption matters. The Commission works regularly with the Ethics and Anti-Corruption Commission to develop policies which work towards the realization of a corruption-free society. In the procurement process during which competition is required to be fair and free of corruption and bribery, the Commission has sensitised the employees through trainings on the provisions of the procurement law in relation to corruption. On the part of the contractors/suppliers, the tender documents require filling of an anti-corruption form for all participants in a tender.

b) For every contract, the accounting officer appoints a contract administrator or contract implementation team for complex and specialised contracts. The purpose of this is to ensure that the contract is performed as intended and to ensure that payments are raised and honoured when due. It is the responsibility of the administrator to ensure that the procuring entity meets all its payment and other obligations on time and in accordance with the contract. Once an invoice is raised, the Commission ensures that the same is processed within the shortest time possible based on the availability of the Funds.

c) The Commission advertises through the papers and its website, this ensures wide coverage and fairness in access to information.

d) The Parliamentary Service Commission ensures that its services are easily accessible to the public by ensuring that the departments have a service charter.

Community Engagements

The Commission engages citizenry through its citizen engagements programmes like a Parliamentary week whereby citizens are allowed within the precincts of Parliament to learn the workings of the various departments of the Commission. It also facilitates the Houses of Parliament in community engagement including participation in EALA games, and facilitating the Senate to conduct sittings in the county assemblies, among various other activities. Additionally, the wellness committee puts emphasis on health programs not only to the Members and staff of Parliament but to the whole country. This ensures a healthy country since wellness programs are successful in helping workers make positive health choices and changes due to several factors such as convenience, environmental support and co-worker or social acceptance.



The Parliamentary Service Commission through Commission Paper No. 986 institutionalized Sports in Parliament and established Bunge Sports club whose membership is open to Members of Parliament and Staff.



Parliament has remained open for visits by any interested Primary or Secondary schools and universities and allowed students to follow House proceedings from the Galleries. Such visits are important for these children, who are considered the next generation of leaders, to understand the role that the Parliament has in our democracy so they know how to participate in shaping the society they live in. The visits also help to enhance public understanding, awareness and knowledge of the work of the Parliament and its operations, even for other members of the public who are able to undertake the tours.



We conduct guided tours of Parliament for families, tourists, organizations, County Assemblies, colleges and universities are conducted upon request through writing to the Clerk of the National Assembly. Our facilities are accessible for persons with disability.

Other events attracting visits to Parliament include:

- Swearing in of Members of Parliament;
- State Opening of Parliament;
- State of the Nation Address by the President;
- Pronouncement of Budget highlights by the Cabinet Secretary for the National Treasury (Budget Day);
- Parliamentary Open Day/ Week;
- Sittings of the East African Legislative Assembly in Kenya;
- Open day visits for the public to show their last respect to the late former Presidents of the Republic.

11. Report of The Trustees/ Fund Administration Committee

The Officer Administering the Parliamentary Mortgage Scheme Fund submits his report and financial statements for the year ended 30th June, 2023 which show the state of affairs of the Fund.

Principal activities

The principal activities of the Parliamentary Mortgage Scheme Fund continue to be provision of a loan Scheme for the purchase and development of land and residential property, renovations or repairs of residential property by members of the Scheme as per the objective and purpose of the Scheme.

Performance

The performance of the Fund for the year ended June 30, 2023 is set out on page 1-4.

Trustees

The Members of the Parliamentary Mortgage Management Committee who served during the year under review are shown on page (viii) – (xiii). In accordance with the laid down regulations, the committee members retire by vacation of office through dissolution of Parliament and reconstitution of membership of the Parliamentary Service Commission after an election, while staff representative is a member by virtue of an election by staff members when need arises.

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.

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the 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 30th June, 2023. The responsibilities include:

- 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 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 Parliamentary Mortgage (Staff) Scheme Fund and Parliamentary Mortgage (Members) Scheme Fund as Legal Notices No. 18 and 67 of 2013 respectively. 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 30th June, 2023, 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 Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Parliamentary Mortgage Loan Scheme Fund's financial statements were approved by the Officer administering the Fund on 15/12/, 2023 and signed:



Name: Mr. Samuel Njoroge
Clerk of the National Assembly
The Fund Administrator



Name: Mr. Peter A. Meikoki
Deputy Director Finance and Accounting
ICPAK No. 4339

REPUBLIC OF KENYA



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HEADQUARTERS
Anniversary Towers
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NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON PARLIAMENTARY MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

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

Qualified Opinion

I have audited the accompanying financial statements of Parliamentary Mortgage Scheme Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Parliamentary Mortgage Scheme Fund for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Parliamentary Mortgage Scheme Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Parliamentary Mortgage Loan Scheme Fund Regulations, 2013.

Basis for Qualified Opinion

Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.9,290,385,192 as disclosed in Note 8 to the financial statements. The balance includes loan amount of Kshs.18,219,829 that is in default with some of the loanees having been defaulted for periods exceeding four financial years. However, adequate provisions have not been made to the financial statements to cater for the uncertainty.

In the circumstances, the accuracy and fair statement of the receivables from exchange transactions balance of Kshs.9,290,385,192 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Parliamentary Mortgage Loan Scheme 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 qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal controls, 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 controls 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 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 cease its operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 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 Fund's policies and procedures may deteriorate.

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

Report of the Auditor-General on Parliamentary Mortgage Scheme Fund for the year ended 30 June, 2023

- 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 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 controls 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 December, 2023


Report of the Auditor-General on Parliamentary Mortgage Scheme Fund for the year ended 30 June, 2023

14. Statement of Financial Performance for the year ended 30th June 2023.


Description	Note	2022/23	2021/22
		Ksh.	Ksh.
Revenue from exchange transactions			
Interest income	5	321,889,399	322,671,398
Total revenue		321,889,399	322,671,398
Expenses			
Use of goods and services	6	24,920,094	25,590,417
Total expenses		24,920,094	25,590,417
Surplus for the period		296,969,305	297,080,981

(The notes set out on pages 7 to 18 form an integral part of these Financial Statements).

The financial statements were approved on 15/12/, 2023 by:



Mr. Samuel Njoroge
Clerk of The National Assembly
The Fund Administrator



Mr. Peter A. Meikoki
D/Director Finance and Accounting
ICPAK No. 4339

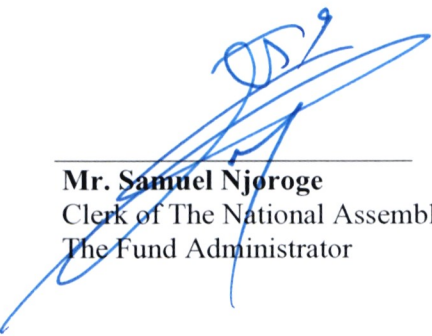
Hon. Joyce C. Korir
Vice chairperson PSC
Chairperson of the Fund

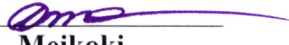
15. Statement of Financial Position as at 30th June 2023

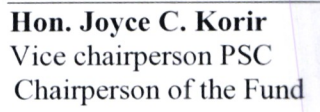
Description	Note	2022/23	2021/22
		Ksh.	Ksh.
Assets			
Current assets			
Cash and cash equivalents	7	974,321,132	3,329,007,029
Receivables from exchange transaction	8	9,290,385,192	5,686,521,878
Total Current Assets		10,264,706,324	9,015,528,907
Non-current Assets			
PPE (Land)		21,000,000	21,000,000
Total assets		10,285,706,324	9,036,528,907
Liabilities			
Trade and other payables (Refundable deposits)	9	480,229,614	28,021,502
Total Current Liabilities		480,229,614	28,021,502
Total liabilities		480,229,614	28,021,502
Capital & Reserves			
Mortgage revolving Fund /Fund capital		7,000,000,000	6,500,000,000
Accumulated surplus		2,784,476,710	2,487,507,405
Reserves		21,000,000	21,000,000
Total net assets and liabilities		10,285,706,324	9,036,538,907

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Fund financial statements were approved on 15/1/23 2023 and signed by:

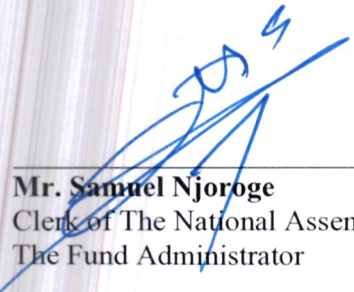

Mr. Samuel Njoroge
Clerk of The National Assembly
The Fund Administrator



Mr. Peter A. Meikoki
D/Director Finance and Accounting
ICPAK No. 4339



Hon. Joyce C. Korir
Vice chairperson PSC
Chairperson of the Fund

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Capital Fund	PPE	Accumulated surplus	Total
	Kshs.		Kshs.	Kshs.
Balance as at 1 July 2021	6,500,000,000		2,190,426,424	8,690,426,424
Surplus/(deficit) for the period			297,080,981	297,080,981
Add capital reserves (Land)		21,000,000		21,000,000
As at 30 June 2022	6,500,000,000	21,000,000	2,487,507,405	9,008,507,405
Balance at 1 July 2022	6,500,000,000	21,000,000	2,487,507,405	9,008,507,405
Capital enhancement	500,000,000			500,000,000
Surplus/(deficit) for the period			296,969,305	296,969,305
As at 30 June 2023	7,000,000,000	21,000,000	2,784,476,710	9,805,476,710

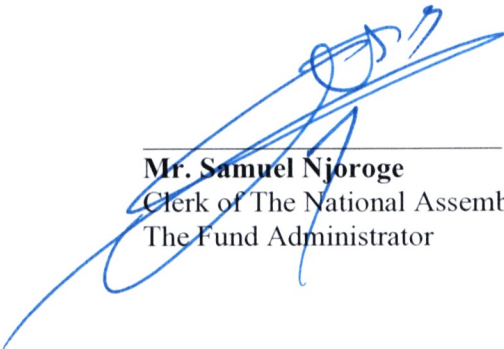

Mr. Samuel Njoroge
Clerk of The National Assembly
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D/Director Finance and Accounting
ICPAK No. 4339



Hon. Joyce C. Korir
Vice Chairperson PSC
Chairperson of the Fund

17. Statement of Cash Flows for the year ended 30th June 2023

Description	Note	2022/23 Ksh.	2021/22 Ksh.
Cash flows from operating activities			
Receipts			
Interest received	5	321,889,399	322,671,398
Capital enhancement		500,000,000	
Total receipts		821,889,399	322,671,398
Payments			
Use of goods and services	6	24,920,094	25,590,417
Total payments		24,920,094	25,590,417
Net cash flow from operating activities		796,969,305	297,080,981
Cash flows from investing activities			
(Increase)/Decrease in Accounts receivable	8	(3,603,863,314)	917,888,241
Increase/(Decrease) in Accounts payable		452,208,112	(73,696,950)
Net cash flows used in investing activities		(3,151,655,202)	844,191,291
Net increase/(decrease) in cash and cash equivalents		(2,354,685,897)	1,141,272,272
Cash and cash equivalents at 1 July 2022	7	3,329,007,029	2,187,734,757
Cash and cash equivalents at 30 June 2023	7	974,321,132	3,329,007,029



Mr. Samuel Njoroge
Clerk of The National Assembly
The Fund Administrator



Mr. Peter A. Meikoki
D/Direk of Finance and Accounting
ICPAK No. 4339

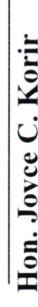

Hon. Joyce C. Korir
Vice chairperson PSC
Chairperson of the Fund

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Description	Original budget	Adjustme	Final budget	Actual on	Performance	% of utilization
	Kshs. A	nts Kshs. b	Kshs. C=(a+b)	comparable basis Kshs. d	difference Kshs. e=(c-d)	F=d/c
Capital enhancement						
National Assembly vote	1,500,000,000		1,500,000,000	500,000,000	1,000,000,000	33.33
Revenue						
Interest from loan repayments	203,330,000		203,330,000	205,382,101	(2,052,101)	101
Fixed deposits Interest income	110,250,000		110,250,000	116,507,298	(6,257,298)	106
Total Revenue	313,580,000		313,580,000	321,889,399	(8,309,399)	103
use of goods and services						
Fund administration expenses	25,009,000		25,009,000	24,367,766	641,234	97.44
Committee sitting allowance	472,500		472,500	322,500	150,000	68.25
Bank charges	286,600		286,600	229,828	56,772	80.3
System maintenance	150,000		150,000	0	150,000	0
Property related charges	50,000		50,000	0	50,000	0
Total expenditure	25,968,100		25,968,100	24,920,094	1,048,006	96
Surplus for the period	287,611,900		287,611,900	296,969,305	(9,357,405)	103


Mr. Samuel Njoroge
 Clerk of The National Assembly
 The Fund Administrator


Mr. Peter A. Meikoki
 D/Director Finance and Accounting
 ICPAK No. 4339


Hon. Joyce C. Korir
 Vice chairperson PSC
 Chairperson of the Fund

Explanations

As per IPSAS 24.14 it's a requirement for the Fund administrator to provide explanations where the difference between the actual and budgeted amounts are 10% over/under.

We had budgeted for a capital enhance of ksh.1,500,000,000 via the National Assembly. This is because the population of staffers has increased significantly but without any capital enhancement to the Fund. Currently the Fund has temporarily decelerated loan applications from staffers. By end of the period under review the fund had only received Kshs.500,000,000.

Fund had budgeted for an expense of Ksh.50,000 related to valuation of its Property in Kajjado (LR. No. KAJIADO/KAPUTIEI NORTH/49107) however, this valuation was not undertaken. The Fund repossessed this property from one of its loan defaulters. Similarly, the Fund had budgeted for a Ksh.150,000 related to systems certificates and maintenance during the period but the service provider gave us a 100% discount.

The Fund had projected that the loans management committee would at least sit once every two months over the period under review with a 75% committee member attendance. However, the committee was able to attain quorum for only three sittings. As per the regulations, committee is required to sit at least once every month.

The fund had anticipated that the bank charges for the period would be double compared to the previous period. This is because we expected more bank loan payment related transactions charges but there were fewer of those transactions. Loan applications from the Honorable Members had actually increased during the period under review. However, delays are being experienced at the point of charge registration from respective lands office.

19. Notes to the Financial Statements

1. General Information

Parliamentary Mortgage Scheme Fund is established by and derives its authority and accountability from The Public Finance Management Act, 2012 (No. 18 of 2012). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. principal activity of the Fund is to facilitate acquisition of residential property for Members of National Assembly, The Senate and staff of Parliamentary Service Commission by providing a loan Scheme for the purchase and/or development, renovation or repairs redemption of the property by members of the Scheme; and to perform other functions necessary for the wellbeing of the honourable Members and staff

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*.

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

i. New and amended standards and interpretations in issue effective in the year ended 30th June 2023.

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. Early adoption of standards

The Fund did not early adopt any new or amended standards in the year 2022/23.

3. 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 Fund 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 Mortgage carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

b. Budget information

The original budget for FY 2022/23 was approved in April 2022. 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund received an additional capital enhancement of Ksh.500 million through the National Assembly FY 2022/2023 budget.

The Fund's budget is prepared on a different basis from 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.

c. Property, plant, and equipment (PPE)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the Mortgage carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are Mortgaged at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e. Financial instruments

1) 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 Fund 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 to 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 Fund 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, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund 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 Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund 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)

2) 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 Fund 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.

f. Contingent liabilities

The Fund 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.

g. Contingent assets

The Fund 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 Fund 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.

h. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. Parliamentary Mortgage Scheme Fund acquired the ownership of Property (Land LR NO. KAJIADO/KAPUTIEI NORTH/49107) in Sep, 2021. This Property was reclaimed from a long time Loan defaulter. It has been reflected in the Fund books as a reserve since the Fund can speculate and earn if its later sold.

i. 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.

j. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Fund Managers, and Fund Accountant.

l. 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 reflect amounts held at the Co-operative bank of Kenya as at 30th June, 2023.

m. Comparative figures

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

n. Events after the reporting period

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

o. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Parliamentary Service Commission. Its ultimate parent is the Government of Kenya.

p. Currency

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

Significant Accounting Policies (Continued)

4. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Mortgage amount of the asset or liability affected in future periods.

a) 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 Mortgage amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*IPSAS 1.140.*)

b) 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:

- i) The condition of the asset is based on the assessment of experts employed by the Fund
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of Funding to replace the asset
- v) Changes in the market in relation to the asset

Notes to the Financial Statements

5. Interest income

Description	2022/23	2021/22
		Kshs.
Interest from loans repayments	205,382,101	184,850,065
F/Deposits interest	116,507,298	137,821,333
Total Interest income	321,889,399	322,671,398

6. Use of goods and Services

Description	2022/23	2021/22
		Kshs.
Administrative Allowances	24,367,766	24,761,602
Bank charges	229,828	143,316
Committee sitting allowances	322,500	135,000
Property related exp	-	336,500
System maintenance cost	-	214,000
Total Fund expenses	24,920,094	25,590,417

7a) Cash and cash equivalents

Description	2022/23	2021/22
		Kshs.
Fixed Deposit Accounts	-	851,277,156
Current Account	974,321,132	2,477,729,873
Total Cash and Cash equivalents	974,321,132	3,329,007,029

7 b) Detailed analysis of the cash and cash equivalents in banks.

Financial Institution	Account number	2022/23	2021/22
			Kshs.
Fixed Deposit Accounts			
Co-operative Bank of Kenya	01132 00742 0020	-	321,465,634
Kenya Commercial Bank	12695 61251	-	219,063,097
Kenya Commercial Bank	12695 61251	-	310,748,425
Sub- total		-	851,277,156
Current Account			
Co-operative Bank of Kenya	01136 00742 0000	872,625,263	2,452,800,162
Co-operative Bank of Kenya	01136 00742 0001	101,695,869	24,929,711
Sub- Total		974,321,132	2,477,729,873
Grand Total		974,321,132	3,329,007,029

8. Receivables from exchange transactions

Description	2022/23		2021/22	
	Kshs.		Kshs.	
Current Receivables				
F/Deposits interest receivable	-		35,135,293	
Cash office receivable	-		17,295,142	
Total Current Receivables			52,430,435	
Non-Current Receivables				
Outstanding loans end of period	9,266,469,125		5,599,034,393	
Loan Defaulters	23,916,067		35,057,050	
Total Receivables	9,290,385,192		5,686,521,878	
Ageing analysis (receivable from exchange transactions)	2022/23	% of total	2021/22	% of total
Less than 1 year			52,430,435	1%
Between 1-2 years	21,762,406	0.2%	99,733,062	1.7%
Over 3 years	9,268,622,786	99.8%	5,534,358,381	97.3%
Total (tie to totals above)	9,290,385,192	100%	5,686,521,878	%

9. Pre-payments

Description	2022/23		2021/22	
	Kshs.		Kshs.	
Fund Contributions	242,797,144		8,486,000	
Fund creditors Staff	9,951,747		8,369,680	
Fund Creditors Hon. Members	77,439,635		11,030,822	
Committee Sitting allowance in arrears			135,000	
Undisbursed loans	150,041,088			
Total trade and other payables	480,229,614		28,021,502	
Ageing analysis: (Trade and other payables)	2022/23	% of total	2021/22	% of total
Under one year	480,229,614	100%	28,021,502	100%
Total	480,229,614	100%	28,021,502	100%

10. Property, Plant, and Equipment

Description	Land	Total
	Kshs.	Kshs.
At 1st July 2022	21,000,000	21,000,000
Additions/Revaluation/Disposals	0	0
At 30th June, 2023	21,000,000	21,000,000

Other Disclosures

11. 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 to 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 board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term Funding and liquidity management requirements. The Fund 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 Fund 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 Fund'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 the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

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

d) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

e) Capital risk management

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

Description	2022/23	2021/22
		Kshs.
Revolving Fund	7,000,000,000	6,500,000,000
Accumulated surplus	2,784,476,710	2,487,507,405
Land reserves	21,000,000	21,000,000
Total Funds	9,805,476,710	9,008,507,405
Less: cash and bank balances	974,321,132	3,329,007,029
Net debt/ (excess cash and cash equivalents)	8,831,155,578	5,679,500,376
Gearing	90%	63%

11. 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) National government Fund
- b) Key management;
- c) Board of Trustees/Committee; etc.

b) Related party transactions

i. Key management remuneration

During the year, the Fund administration Committee and the Key management team were paid sitting allowances and monthly allowances amounting to Ksh.322,500 and Ksh.24,367,766 respectively all totaling to Ksh.24,690,266. The Loans Committee Members are paid per sitting at the same rate applicable to other Parliamentary Committees sittings.

Description	2022/23	2021/22
	Kshs.	Kshs.
Fund Administration Committee	322,500	135,000
Key Management Compensation	24,367,766	24,761,602
Total	24,690,266	24,896,602

12. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

The financial statements for the financial year 2021/2022 were submitted to the Office of the Auditor review done and a qualified audit report issued.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2020/2021	Contrary to the guidelines and template prescribed by the Public sector Accounting Standards Board, the Funds financial statements submitted for audit review did not include the statement of comparison budget and actual amounts.	The Fund has in the subsequent Reports (both quarterly and annual Report and Financial Statements) included the statement of comparison budget and actual amounts as required in the reporting template and as guided by the OAG.	The Management appeared and resolved the issue at the Special Funds Account Committee	Resolved
2020/2021	Fund Receivables-Non -Performing Loans Ksh.47,690,230	The amount on loans defaulter has significantly reduced as reported in the current Report and Financial Statements from	The Management appeared at the Special Funds Account Committee	Ongoing. The Fund is following up with the defaulters. The

*Parliamentary Mortgage Scheme Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>previous amount of Ksh.47,690,230 to Ksh.35,057050. This is because the Fund was able to repossess a property belonging to one of the defaulters. Subsequently the Fund has issued demand letters and commenced legal procedures to recover the amounts through public auction of the property</p>		<p>properties may be auctioned off.</p>
2021/2022	Fund Receivables-Non -Performing Loans Ksh.35,057,050	<p>So far as at the current reporting period, this amount has been reduced to Kshs.23,916,067. Some defaulters have paid to reduce their loan balances.</p>	Ongoing	<p>Ongoing. The Fund is following up with the defaulters. The properties may be auctioned off.</p>

Annex II: Parliamentary Mortgage Scheme Fund trial balance for the year ended 30th June, 2023.

Particulars	Dr	Cr
	Kshs.	Kshs.
Interest Income		
Interest from Loan repayments		205,382,101
Interest from F/Deposits		116,507,298
Use of goods and services		
Administrative Allowances	24,367,766	
Bank charges	229,828	
Committee allowances	322,500	
Assets		
PPE-Land	21,000,000	
cash and cash equivalent		
Current account '01136 00742 0000	872,625,263	
Current account '01136 00742 0001	101,695,869	
Fund Receivables		
Outstanding loans advanced end of period	9,266,469,125	
Loan Defaulters	23,916,067	
Fund Payables		
Contributions		242,797,144
Creditors -Staff		9,951,747
Creditors -Hon. Members		77,439,635
Undisbursed loans		150,041,088
Capital & Reserves		
Revolving Fund/Seed Capital		7,000,000,000
Accumulated Surplus bf		2,487,507,405
Reserves		21,000,000
	10,310,626,418	10,310,626,418

Annex III: Parliamentary Mortgage Scheme Fund loan options.

(a) Construction option

This option is applicable where one has land registered in his/her name or would wish to buy land and build a residential property.

The house construction process typically involves several key steps, including obtaining permits and approvals, site preparation, foundation construction, electrical and plumbing installation, interior and exterior finishing, and final inspections. Each step requires careful planning, coordination, and skilled labour to ensure a successful outcome.

Documentation:

- Copy of Title in Applicant's Name / sale agreement for land (where you wish to buy land and build & copy of Title in the sellers' name)
- Original official search certificate
- Architectural & Structural Designs (must be approved by relevant authorities)
- Bill of Quantities (please attach copy of company registration)
- Value of the Land- valuation report
- Copy of Current Pay-Slip
- Application form-fully filled.



The Fund will facilitate you build your dream home anywhere within the Republic of Kenya

(b) Direct Purchase

This option is for those clients/applicants who wish to buy a 100% done property which is ready for occupancy. It could be a unit within an apartment or a stand-alone property anywhere within the republic. It should be a residential property.

Documentation.

- Copy of the Title
- Sale Agreement
- Valuation Report (please attach copy of company registration)
- Original Certificate of Official Search
- Copy of the Current Pay-slip
- Fully filled Application form
- A Copy of Confirmation letter (Staff)



We fund 90% of the purchase price in Nairobi and 80% for properties outside Nairobi.

(c) Transfer of existing Mortgage

This option is applicable where one has a running mortgage facility either from Bank, Housing Finance or from previous employer especially where one had such before joining Parliament.

Advantages accruing to this Mortgage option are: saving on cost of finance since our rates are most competitive at 3% and administrative advantage where you are able to access your documents anytime.

Documentation:

- Confirmation Letter for outstanding Loan Balance (From the Bank).
- Copy of the Charge Documents.
- Copy of Current Pay-slip
- Current valuation of the mortgaged property
- Current certificate of Original official search
- A fully Filled application form
- A Copy of Confirmation letter (Staff)



The Fund takes over your expensive Mortgage facility and help you save on the cost of financing

