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REPORT

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OF

THE AUDITOR-GENERAL

ON

**MAKUENI COUNTY STATE AND PUBLIC
OFFICERS CAR LOAN AND MORTGAGE FUND**

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

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**MAKUENI COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND
MORTGAGE FUND**

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

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

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**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Table of Content

1.	Acronyms and Glossary of Terms	iii
2.	Key Entity Information and Management	iv
3.	Fund Administration Committee	vii
4.	Management Team	x
6.	Report of The Fund Administrator	xiv
7.	Statement of Performance Against the County Fund's Predetermined Objectives	xv
8.	Corporate Governance Statement	xvi
9.	Management Discussion and Analysis	xix
10.	Environmental and Sustainability Reporting	xxi
11.	Report of The Fund Administration Committee	xxvii
12.	Report of The Trustees	xxviii
13.	Statement of Management's Responsibilities	xxix
14.	Report of The Independent Auditor	xxx
15.	Statement of Financial Performance for The Year Ended 30th June 2023	1
16.	Statement of Financial Position as at 30 June 2023	2
17.	Statement Of Changes in Net Assets for the year ended 30 th June 2023	3
18.	Statement of Cash Flows for The Year Ended 30 June 2023	4
19.	Statement of Comparison of Budget and Actual Amounts for The Period	5
20.	Notes to the Financial Statements	6
21.	Annexes	29

**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management - The key management personnel who had financial responsibility
Portfolio - The total investment held the fund

2. Key Entity Information and Management

a) Background information

Makueni County State and Public Officers Car Loan and Mortgage Fund is established by and derives its authority and accountability from Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations, 2017 Act on 30th January, 2018. The Fund is wholly owned by the County Government of Makueni and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purpose of advancement to state officers and public officers.

b) Principal Activities

The principal mandate of the Fund is to finance Makueni County officers to purchase car, residential house or plot, renovate or develop residential property.

Vision

Improve lives of Government of Makueni County employees by providing a world-class mortgage experience and dream car that scheme members love.

Mission

To increase accessibility and affordability of housing loans and Car loan for members of the scheme by providing long term financing.

Core Objective

Provision of secure long-term funding at attractive rates.

c) Fund Administration Committee

Ref	Name	Position
1	John Nguni	Chairman
2	Catherine Katuti	Secretary
3	Sylvia Mbevi	Fund Administrator
4	Patrick Kyenza	Member
5	James Muli	Member
6	Patrick Kilonzo	Member
7	Daniel Musau	Fund Accountant

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

d) Key Management

Ref	Name	Position
1	CPA. Damaris Kavoi	CEC, Finance and Socio-economic Planning
2	CPA. John Nguni	Chairman
3	CPA. Sylvia Mbevi	Fund Administrator

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Daniel Sunza
2	Makueni County State and Public Officers Car Loan and Mortgage Fund	John Nguni Catherine Katuti Sylvia Mbevi Patrick Kyenza James Muli Patrick Kilonzo Daniel Musau

f) Registered Offices

P.O. Box 78 -90300
Treasury Building
County Headquarters
Old Prison Road
Makueni, KENYA

g) Fund Contacts

County Headquarters
Treasury Building
P.O. Box 78 -90300
Makueni, Kenya
Tel No. 020-2034944
Email: finance@makueni.go.ke
Website: www.makueni.go.ke

31

**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Family Bank Ltd
Muindi Mbingu Street,
P.O Box 74145-00200,
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

k) County Attorney

Office of the Governor
P.O. Box 78 -90300
Makueni, Kenya
Tel No. 020-2034944
Email: county.attorney@makueni.go.ke
Website: www.makueni.go.ke

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023


3. Fund Administration Committee

Name	Details of qualifications and experience
<p>John Nguni - Chairman</p> 	<p><u>Chief Officer- Financail Accounting Serviceas</u> Year of Birth: 19th Jan, 1967 Masters of Business Administration (MBA)- Finance – 2007 University of Nairobi, Bachelor of Commerce (B. Com) - 1990 University of Nairobi, Certified Public Accountant (CPAK). December 2021 - Nov 2022 – Petro Kenya Oil Limited, Position: Finance Manager March 2017 to April 2021 – National Oil Corporation of Kenya, Position: Head of Finance Jan 2015 to Feb 2017- Haggar Holding Company Ltd South Sudan, Position: Group Finance Manager</p>
<p>Catherine Katuti - Secretary</p> 	<p><u>Chief officer- Gender, Children, Youth, Sports and Social Services</u> Catherine joined Makueni County Government in March 2023 as the Chief Officer, office of The Governor and later Chief officer, department of Gender, Children, Youth, Sports and Social Services. She holds a Bachelor of Science degree in Nutrition and a Master in health Systems Management. Before joining the county government, Catherine was the National Head of Department at Kenya Medical Training College. She also worked as the Deputy Principal, Finance and administration in the same institution.</p>

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023


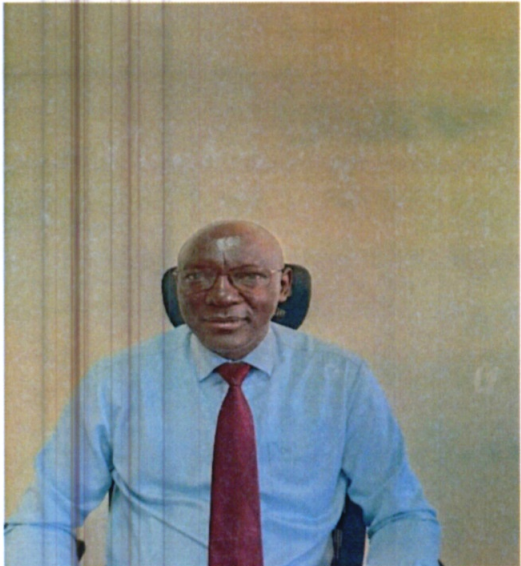
<p>Sylvia Mbevi – Fund Administrator</p> 	<p><u>Ag. Director- Financial Services.</u> Masters of Business administration (Finance option) Southern Eastern Kenya university (SEKU) 2017- to date Course work completed (finalizing thesis) Bachelor is Degree in Education (Mathematics & Economics); Moi University;2005 to 2008- Second class upper division Kenya Certificate of Secondary Education- Makueni Girls Secondary School; 1999 to 2002. B+(PLUS), Certified Public Accounts [CPA-K]; 2005 to 2009 Job Experience Accountant 1& Senior Accountant County Government of Makueni: February 2015 to Date Senior county cashier County Government of Makueni: 2014-2015 Accountant 1 Mbooni District Hospital: 2010-2014</p>
<p>Patrick Kyenza - Member</p> 	<p><u>Director – Human Resource</u> Date of Birth: 6th July, 1965. Masters in HR, B.A Higher Diploma in HR Over 24 years of experience in both private and public sector.</p>
<p>James Muli - Member</p> 	<p><u>Chief Officer- Infrastructure, Transport and Public Works</u> Date of Birth: 9th Nov, 1984 Degree (Bachelor of Technology in Civil/Structural Engineering) - Moi University – Main Campus Nov 2010- Nov 2022-Wanjohi Mutonyi Consult Ltd : Highway Engineer</p>

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023


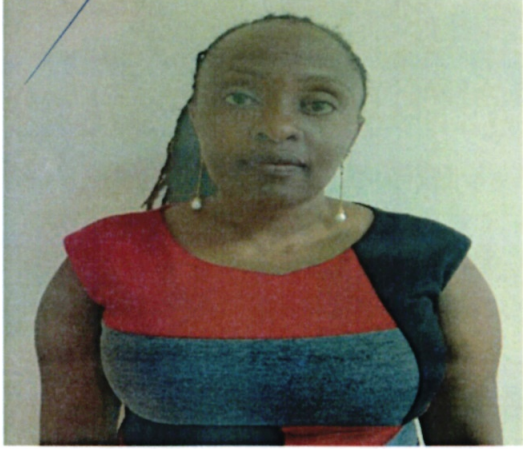

<p>Patrick Kilonzo - Member</p>  A portrait photograph of Patrick Kilonzo, a man with a full dark beard and mustache, wearing a white dress shirt and a dark tie. He is looking directly at the camera against a plain, light-colored background.	<p>Date of Birth 28th Sept,1994 Moi University 2012-2016 - LLB degree. Kenya School of Law 2017-2018 - Dip. Law Work experience 2015-2016 - Legal intern at Iseme Kamau & Maema Advocates 2018-2019 - Associate at Muumbi & company advocates 2019-todate - Legal counsel government of Makueni county</p>
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Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
<p>CPA. Damaris Kavoi</p> 	<p><u>CEC-Finance, Planning, Budget and Revenue</u> CPA Damaris Mumo Kavoi holds a Bachelor in Business, Administration (BBA) (Accounting and Finance) from Kenya, Methodist University (KEMU) and a Masters of Business Administration (MBA) from the University of Nairobi. She started her career as an Accounts Clerk in 1994 at the University of Nairobi. She diligently rose through the ranks to position of Director in Charge of Finance in the same institution, a position she served from February 2020 to November 2022 Nov 2022 to date County Executive Committee Member for Finance, Planning, Budget and Revenue. Institute of Certified Accountants of Kenya (ICPAK) member.</p>
<p>John Nguni- Chairman</p> 	<p><u>Chief Officer- Financial Accounting Services</u> Masters of Business Administration (MBA)- Finance – 2007 University of Nairobi Bachelor of Commerce (B.Com) - 1990 University of Nairobi Certified Public Accountant (CPAK) and a member of the Institute of Certified Accountants of Kenya. Nairobi School KACE 3 Principals 1 Subsidiary– 1985 December 2021 to date – Petrokenya Oil Limited Finance Manager March 2017 to April 2021 – National Oil Corporation of Kenya Finance & Administration Manager June 1997- to Dec 2004 Manson Hart (Kenya) Ltd- MCKL GROUP Management Accountant</p>

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

<p>Catherine Katuti- Secretary</p> 	<p><u>Chief Officer- Gender, Children, Youth, Sports and Social Services</u> Catherine joined Makueni County Government in March 2023 as the Chief Officer, office of The Governor and later Chief officer, department of Gender, Children, Youth, Sports and Social Services. She holds a Bachelor of Science degree in Nutrition and a Master in health Systems Management.</p> <p>Before joining the county government, Catherine was the National Head of Department at Kenya Medical Training College. She also worked as the Deputy Principal, Finance and administration in the same institution.</p> <p>She has vast experience with NGOs.</p>
<p>Sylvia Mbevi – Fund Administrator</p> 	<p><u>Ag. Director – Financial Services</u> Masters of Business administration (Finance option)-SEKU 2017- to date Course work completed (finalizing thesis). Bachelor is Degree in Education (Mathematics & Economics); Moi University;2005 to 2008- Second class upper division. Certified Public Accounts [CPA-K]; 2005 to 2009. Accountant 1& Senior Accountant-County Government of Makueni: February 2015 to Date Senior county cashier-County Government of Makueni: 2014-2015 .</p>
<p>Patrick Kyenza - Member</p> 	<p>Date of Birth: 6th July, 1965. Masters in HR, B.A Higher Diploma in HR Over 24 years of experience in both private and public sector.</p>

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

<p>James Muli - Member</p> 	<p><u>Chief Officer- Infrastructure, Transport and Public Works</u> Date of Birth: 9th Nov, 1984 Degree (Bachelor of Technology in Civil/Structural Engineering) - Moi University – Main Campus Nov 2010- Nov 2022-Wanjohi Mutonyi Consult Ltd : Highway Engineer</p>
<p>Patrick Kilonzo - Member</p> 	<p>Date of Birth 28th Sept,1994 Moi University 2012-2016 - LLB degree. Kenya School of Law 2017-2018 - Dip. Law Work experience 2015-2016 - Legal intern at Iseme Kamau & Maema Advocates 2018-2019 - Associate at Muumbi & company advocates 2019-todate - Legal counsel government of Makueni county</p>

5. Fund Chairperson's Report

The Government of Makueni County developed and approved the Makueni State and Public Officers Car loan and Mortgage Fund. This was meant to promote the social and economic welfare of the staff by ensuring that they are facilitated to own residential houses and have cars. Management and operations of the fund is guided by Makueni county mortgage and car loan regulations 2017. The County Treasury established the necessary structures to manage the Fund and these include:

- i. The Loans Management Committee
- ii. The Fund Administrator
- iii. The Fund Manager

During the financial year, the County Government managed to disburse Car Loan and Mortgages to members of the scheme as outlined in this report. There was no change in committee composition during the financial year.

The revolving fund amounts to Kshs. 310,250,000 in the FY 2022/2023. The fund managed to generate a surplus of Kshs 1,942,854 for the year ended 30th June, 2023.

The fund envisages to get adequate funding to cater for almost all Makueni County staff in a few years' time. The government has been allocating funds to the scheme to enable it to be self-sustaining.

During the Financial Year new team of members was appointed by virtue of their positions held as per the Makueni county mortgage and car loan regulations 2017.

Name.....John Nguni.....Signature..........Date.....18/12/2023.....

Chairperson of the Fund

6. Report of The Fund Administrator

The Makueni County Mortgage and Car Loan Regulations 2017 provides the legal framework necessary for the state and public officers of the Makueni County Government to access cheaper and affordable loans for housing and cars. The regulations set out the forms and structures of the types of schemes that the county can institute to ensure County Staff access these facilities as enshrined in the SRC circular Ref SRC/ADM/CIR/1/3 Vol. III (128) dated 17th December 2014 on access to affordable housing and Car Loan and Mortgage Schemes for State Officers and other Public Officers of Government of Kenya.

The fund projected to raise income amounting to Kshs.8,373,719.00. This income is through charging interest of 3% on all loans issued. However, during the financial year 2022/2023 the funds managed to earn income amounting Kshs.9,270,588.00. The expenditure utilization stood at 97% of the budgeted amount.

The loan portfolio has grown tremendously over the years since commencement of the fund. Currently the portfolio stands at Kshs. 320,973,359.

The total amount so far received by the fund since its commencement in financial year 2017/2018 up to financial year 2022/2023 is Kshs. 310,250,000.

The fund aims at bringing on board several members of staff to benefit from the car loans and mortgage. This will be achieved through adequate financing of the fund. The fund has been experiencing inadequate funding hence reducing the rate of disbursing the loans.

Signed: _____



CPA. Sylvia Mbevi

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Makueni County State and Public Officers Car Loan and Mortgage Fund are to financing Makueni County officers:

- To facilitate staff members to own a car
- To facilitate staff members to own residential house

Committee progress on attainment of Strategic development objectives

Program	Objective	Outcome	Indicator	Performance
Car Loans	To support staff to own personal cars for convenience	Issue 5 car loans	% of staff who were advanced car loans	In FY 2022/2023 no car loan was applied
Mortgage	Ensure staff have residential homes	Give 10 mortgages	% of staff who have residential homes	In FY 2022/2023 eight (8) members of the scheme were advanced mortgage.

8. Corporate Governance Statement

The Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations 2017, has established scheme management structures. The scheme management structures are the Officer Administering the fund and who has the overall supervision and control responsibilities, the Loans Management Committees which consider and approve all applications and the appointed financial institution which disburses monies from the fund for all successful and approved applications.

Makueni County Mortgage and Car Loan Committee is duly constituted as per Makueni County Mortgage and Car Loan Regulations 2017. Section 7 of Makueni County Mortgage and Car Loan Regulations 2017 stipulates the succession of the members of the committee. The loans management committee shall consist the chief officer in charge of finance and planning who shall be the chairperson, the chairperson of the County Welfare Committee, the chief officer in charge of transport and infrastructure, the chief officer in charge of social services who shall be the secretary then legal officer. All are appointed by Executive Committee Member- Finance and Socio-Economic Planning & Head of County Treasury. In case a member leaves office due to any reason, the next person who holds that office automatically becomes a member. The members of the committee have sufficiently diverse expertise, skills and experience.

The committee has responsibility for day-to-day management and administration of the fund and monitoring performance and maintaining an effective framework of controls to mitigate risks that might face the fund.

The committee members are rewarded in form of sitting allowances.

**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

During the financial year 2022/2023 the committee had some changes of the committee members.

The remuneration of the committee members is earned in form of sitting allowances.

The Directorate of Internal Audit is tasked to ensure compliance with set internal controls and assessing risk of the fund.

The committee members are the fiduciaries who steer the fund towards a sustainable future by adopting sound, ethical, and legal governance and financial management policies, as well as by making sure the Fund has adequate resources to advance its mission.

The committee's meeting quorum is at least three members. The meetings are convened by the chairperson or in the absence of the chairperson, by a member designated by the committee members. The meetings are convened at such times as may be necessary for the discharge of the committee's functions. During the year the committee had only three meetings to appraise car loan and mortgage applications.

Makueni County State and Public Officers Car Loan and Mortgage Fund applies the County Service Charter for its service delivery. This enhances productivity and fast track service delivery consistent with service standards that respond to the needs and aspirations of customers. The charter sets out the commitments, roles and responsibilities of the Board on one hand and obligations of customers on the other hand. The Charter recognizes that customers are at the center of service delivery while the Board renders services commensurate with commitments and undertakings as outlined by the law.

**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Induction was conducted when the committee members were appointed. The same induction is also done to newly appointed members. The members have also undergone relevant training to enhance seamless delivery of services.

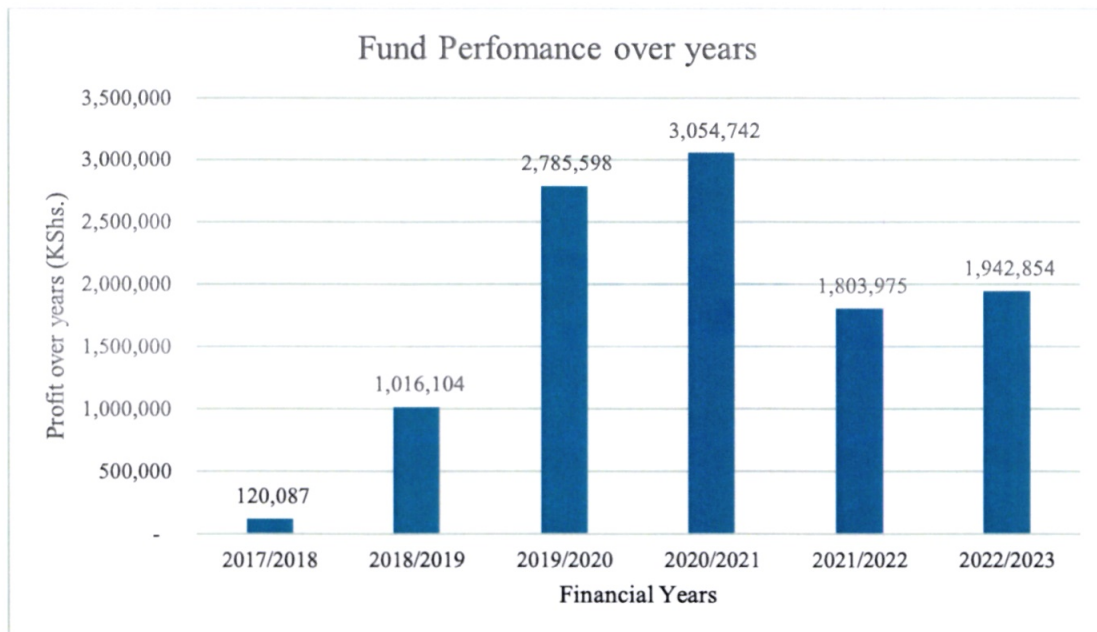
The Memorandum of Understanding between Government of Makueni County and the Family Bank Limited defines the procedures to be followed in case of conflict of interest.

The Government of Makueni County developed Public and State Officers Code of Conduct for Makueni County Public Service, October, 2018 which outlines the standard of behaviour expected of Government of Makueni County employees. It is designed to assist employees in understanding their responsibilities and obligations, and provides guidance whenever they are faced with an ethical dilemma or conflict of interest. By virtue of their employment, employees are in a unique position of trust. They are therefore required to uphold standards of ethical behaviour that reflect stakeholders' expectations.

9. Management Discussion and Analysis

Makueni County Executive and Public Officers Car Loan and Mortgage Fund has performed well by achieving surplus amounting to Kshs 1,942,854 during the financial year 2022/2023. The graph below indicates the profitability performance over the years.

Fund Performance Chart

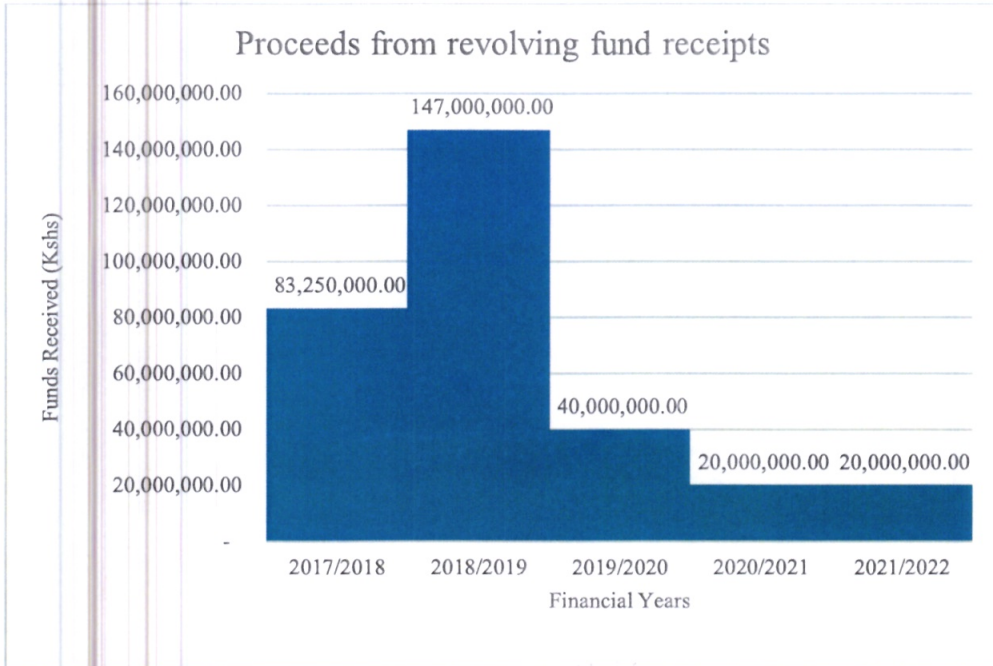


The book value of the fund as at 30th June, 2023 stands at Kshs 320,973,359.

The loan portfolio has grown tremendously over the years since commencement of the fund. Currently it stands at Kshs. 320,973,359. During the financial year 2022/2023, the fund advanced Kshs. 49,033,460 to members of the scheme. The total amount so far received by the fund since its commencement in financial year 2017/2018 up to financial year 2022/2023 is Kshs. 310,250,000. The chart below indicates proceeds from revolving fund receipts.

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Revolving fund



10. Environmental and Sustainability Reporting

Makueni County exists to transform the livelihoods of the citizens guided by overarching vision, which is *a prosperous value-based county with a high quality of life*. The delivery of the transformation agenda is guided by Five key principles and values which are; integrity and accountability; inclusiveness; equity and fairness; patriotism and responsiveness.

The development agenda is founded on three key pillars; Economic Pillar, Social Pillar and Political Pillar. The pillars have thematic interventions along six thematic areas namely; Community economic empowerment, water resource management, lands and urban development, social development, universal health care and institutional strengthening and capacity development.

To continue offering services to the citizens of Makueni County over the long- term, the County is focused on;

1. Sustainability strategy and profile

The County promotes sustainable development through governance reforms that are founded on integrity, transparency and accountability. The County has focused on provision of overall policy development and institutional development and strengthening. This is guided by issue-based leadership, transparency and accountability in management of public resources.

Sustainability is achieved through Pollution prevention, Resource Conservation, zero waste to landfill, Waste reduction/minimization, zero discharge and reduced Carbon foot print/ Zero emissions. This is achieved through adopting alternative energy, responsible consumption, waste management, advocacy, innovation, reuse and recycling. Makueni County is putting every effort to ensure sustainability is achieved in all aspects.

2. Environmental performance

Makueni County Government efforts to mainstream the management and coordination of environmental and climate change aspects are guided by the Environment and Climate Change Policy, 2021 available in CGM website. The policy provides direction for Environmental and Climate Change Management in the County. In implementing the Policy on Climate Change management, the County has developed the County Climate Change Act 2022 which provides for establishment of County Climate Change Fund. The County allocates 2% of its Development Budget for Climate actions in the County. Additionally, The County has carried out a participatory process in identification of climate risk, strategic interventions culminating into a County Climate Change Action Plan 2023-2027 which provides a plan for implementing Climate actions and providing a platform for resource mobilization.

In implementing Environmental Management and ensuring sustainability, the County has developed Environmental and Social Safeguard (ESS) Framework to support green, resilience and inclusive projects and programs. Through The ESS framework, the County has;

- Trained 19 staff on Environmental and Social Safeguards

- Carried out Environmental Impact Assessment for Emali Wholesale Trade and Mukuyuni Modern Market
- Environmental Audits for Makueni County Fruit Processing Plant
- Appointed Environment, Social and Grievance Redress Focal Persons

3. Employee welfare

The County Government is guided by various labour legislations in handling the County Public Service while hiring and handling staff to enhance objectiveness, Equity and Fairness. These include the County Government Act 2012, the Employment Act 2012 and the Constitution of Kenya, 2010. Makueni County developed Human Resource Policies and Procedures Manual 2017 which guides the Human Resource practices in the County including stakeholder engagements and continuous improvement. Every effort is made in ensuring Gender balance and involvement of various stakeholders in the hiring process. The County carries out staff sensitization on matters of concern as well as periodic engagement forums to hear from the staff.

Through the County Public Service Board, the County Government has made tremendous effort in improving skills, managing careers, appraisal and reward systems of employees. These include Performance Management system, training of staff, formation of Departmental Human Resource Management Advisory Committees, Appointment of committee to review the schemes of service and introduction of reward system under the Performance Management System. The County has further ensured employee benefits are provided timely like medical cover, WIBA among others. Provision of conducive work environment has been paramount in enhancement of employee welfare. There has been continuous review of the County Staff establishment made to enhance staff career progression, alignment of various functions in departments and address staff stagnation.

The County has formulated various policies in Human Resource Management aimed at enhancing objectivity in handling staff matters that is; Performance Management, HIV/Aids at workplace, Drug and Substance Abuse, Conflict of Interest and Sexual Harassment Policy and implementation guidelines. The County Government has also formulated and documented a safety and health policy in compliance with Occupational Safety and Health Act of 2007, (OSHA). This is part of County Service Delivery manual which addresses pertinent safety and health concerns such as safety and health regulations, fire safety provisions and insurance cover

4. Market place practices-

CGM has made efforts in promoting fairness in the market place in the following aspects;

a) Responsible Supply chain and supplier relations

Makueni County has continued to enhance access of government opportunities to every interested supplier by publishing all tenders in the County Government dedicated tenders' portal, that is, Public Procurement Information Portal, and its own website. This gives an opportunity to the general public including Youth, Women and PWDs to access procurement opportunities. The

County Government also writes to every bidder who has applied for any advertised tender communicating the outcome, disclosing who was awarded and why a certain bidder was not successful.

A minimum of 30% of the County procurable budget is reserved to the Youth, Women, PWDs and other disadvantaged groups while 20% of County procurable budget is reserved for contractors who are residents of Makueni County. This forms part of empowering our suppliers and guaranteeing procurement opportunities.

In the Financial Year ending 30th June, 2023, the County Government published all procurement contracts to the Public Procurement Information Portal as a way of enhancing transparency and subjecting the information to public scrutiny to ensure processes were fair, open and ensured getting value for money.

To ensure goods relations with our service providers and contractors, the County ensures that all completed projects are duly inspected and processed for payment without delays.

b) Responsible ethical practices

The County Government promoted ethical practices by conducting a risk assessment in liaison with EACC and putting in place measures to ensure a Corruption free environment. Some of the measures put in place include: having a signboard of “corruption free zone” in all the main entrance of all the offices, Publication of tenders online, Publication of the list of registered suppliers, Complaints register kept in all offices, Suggestion boxes, MakueniApp and Hotline number shared to citizenry to report any malpractices. Such measures have promoted a culture of accountability and ethical practices among Makueni County officers.

c) Stewardship of goods and services

The county has continued to implement consumer protection programme whose objective is to safeguard the business owners and promote fair trade practices. Inspection of weights and measures equipment has been of priority to ensure the quantity and quality of products in our markets. Owing to the great oversight roles vested to the MCAs and the public, County staff are obligated to offer services and goods in a manner that is diligent, truthful and faithful with a sense of responsibility. This enhances and ensures good stewardship of goods and services provided by the Makueni County Government.

5. Community Engagements

Citizen participation in County governance and decision-making processes is constitutional requirement. The County Government of Makueni in FY 2022/2023 engaged the communities in the following participatory development areas;

a) County Planning

In the development of the CIDP 2023-27, The County Government organized and facilitated public participation forums in 247 cluster blocks, 30 wards, 9 urban areas (for business community and

urban area/municipalities residents), 9 thematic groups participation for PWDs, Women, Youth, PLHIV and trade/labour unions and Development partners/professionals and elected leaders to provide Makueni residents and leaders with an opportunity to deliberate on their development



issues, challenges and prioritize interventions. The forums took place from 14th to 20th December, 2022.

Figure 2: CIDP III public participation, Kathonzweni and Ukia Wards, 19th Dec, 2022

b) Citizen Engagement in Service Delivery

The County Government has ensured citizen participation in service delivery through establishing and capacity building project management and sustainability committees who play a critical role in overseeing project implementation and guaranteeing project sustainability after handover by the County Government or development partners/donor.

Each county project that was implemented in FY 2022/23 had project management committees whose members are democratically elected by project beneficiaries and have veto powers of certifying payment of contractors/suppliers after project completion. The County has also established committees to vet program beneficiaries such as Ward Bursary Committees.



Figure 3: Munyenze Borehole PMC training, Masongaleni Ward Figure 4: Joint Inspection Meeting for Kwa Kithue Wetland Protection Project, Mbooni Ward

c) Citizen Involvement in County Budgeting Process.

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Section 125 (2) of the Public Finance Management Act,2012 mandates the CECM in charge of Finance to ensure active citizen engagement in the budget making process. The County



Government facilitated budget participation forums in 60 sub wards, 30 wards, 2 diaspora fora and 2 municipalities fora for Citizens to provide their inputs on development priorities for FY 2023/24. The forums were all inclusive with participation by special interest groups in the County. The process was technically data-driven with use technical officers and County statistical abstracts.

Figure 5: Budget Participation, Wote and Mukaa Wards



Figure 6: County Assembly Budget PP at Muvau/Kikumini Ward

d) Community Driven Development

The County Government implemented community projects under Miradi Kwa Jamii program that aimed at creating employment opportunities for the citizens and community assets. The program was implemented through labour intensive approach. The program provided employment opportunities directly to at least 12,078 residents of Makueni County.



Figure 7: Manual Light grading at Ilima Ward

e) Other Public Participation Aspects

The County Government supported Kenya Youth Inter Sport Association games in an effort to support young sports talents. The CG has put efforts towards achieving Universal Health Care and subsidized treatment costs. The County Government supported County ECDE program by construction of ECDE classes and training of the ECDE teachers. The County also offers scholarships and bursaries to students.

11. Report of The Fund Administration Committee

Fund Administration Committee

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to advance Car Loan and Mortgage to the members of the fund.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 5.

Fund Administration Committee

The members of the administration committee who served during the year are shown on page Vii to Xii.

Auditors

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

By Order of the Board



CPA. John Nguni

Chairman of the Committee

Date: 18/12/2023

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

12. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to finance Makueni County officers to purchase car, residential house or plot, renovate or develop residential property.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 5.

Trustees

The members of the Board of Trustees who served during the year are shown on page iv. The changes in the Board during the financial year are as shown below:

Ref	Name	Position
1	John Nguni	Chairman
2	Catherine Katuti	Secretary
3	Sylvia Mbevi	Fund Administrator
4	James Muli	Member
5	Daniel Musau	Fund Accountant

Auditors

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

By Order of the Board



Chair of the Fund Administration Committee

Date: 18/12/2023

13. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations, 2017 Act shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

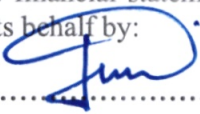
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations, 2017 Act. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

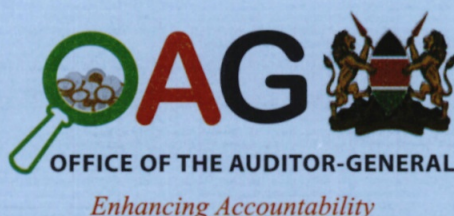
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 18/12 2023 and signed on its behalf by:


.....
Administrator of the County Public Fund

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE 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 that the 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 Makueni County State and Public Officers Car Loan and Mortgage Fund set out on pages 1 to 29, 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 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County State and Public Officers Car Loan and Mortgage Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (Makueni County State and Public Officers Car and Mortgage Fund) Regulations, 2017.

Basis for Qualified Opinion

1. Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.296,933,823 as disclosed in Note 8 to the financial statements. However, receivables amounting to Kshs.5,009,400 were not supported by individual loan ledger accounts.

In the circumstances, the accuracy and completeness of the long-term receivables from exchange transactions balance of Kshs.296,933,823 could not be confirmed.

2. Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.869,074 as disclosed in Note 9 to the financial statements. However, the supporting schedules and reconciliations were not provided for review.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.869,074 could not be confirmed.

3. Inaccuracy in Use of Goods and Services

The statement of financial performance reflects an amount of Kshs.5,407,843 in respect of use of goods and services which, as disclosed in Notes 4(a) and 4(b) to the financial statements, includes an amount of Kshs.3,206,775 relating to professional services costs. However, analysis of professional costs accrued based on interest earned against the amount invoiced and paid as professional cost revealed the following discrepancies;

Month	Professional Cost Accrued (Kshs.)	Professional Cost Paid (Kshs.)	Difference (Kshs.)
July, 2022	467,720	357,251	110,469
August, 2022	462,997	314,239	148,758
September, 2022	458,483	362,736	95,747
October, 2022	459,139	351,431	107,708
November, 2022	456,840	778,032	(321,192)

Management did not provide an explanation for the variances observed.

In the circumstances, the accuracy and the occurrence of the expenditure on use of goods and services of Kshs.5,407,843 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County State and Public Officers Car Loan and Mortgage Fund Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.63,373,719 and Kshs.41,982,249 respectively resulting to an under-funding of Kshs.21,391,470 or 34% of the budget.

The under-funding may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Presentation and Disclosure in the Financial Statements

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.5,407,843 as disclosed in Note 4(a) to the financial statements. However, Note 4(b) to the financial statements, discloses a different amount of Kshs.3,248,036 in respect of the same expenditure. Further, Note 4(b) discloses a further amount of Kshs.41,261 in respect of other expenses which is also disclosed in Note 5 to the financial statements. There is therefore a misalignment between the financial statements and explanatory notes to the financial statements.

In the circumstances, the financial statements and disclosure notes as prepared are not in accordance with the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

2. Irregular Disbursements of Loans

The statement of financial position and as disclosed in Note 8 to the financial statements reflects long-term receivables from exchange transactions of Kshs.296,933,433. Included in this amount is Kshs.39,959,870 disbursed during the year under review. However, the following anomalies were observed;

2.1. Advancement of Loans in Excess of the Approved Amount

Review of loan records provided revealed that two (2) staff members were advanced loans in excess of the approved amounts resulting in loan over disbursement of Kshs.626,410 against Regulation 7(5) of the Public Finance Management (Makueni County State and Public Officers Car and Mortgage Fund) Regulations, 2017 which states that the committee shall consider and approve the loan applications presented by the officer administering the fund.

2.2. Irregular Issue of a Top-up Loan

The Fund Committee approved a mortgage loan of Kshs.2,700,000 to a member of staff who later applied for a second loan of Kshs.5,000,000 which was declined. However, records from the issuing bank indicated that the staff was advanced a total loan of Kshs.5,000,000. Further, although records provided indicated that the loan was used to acquire land for construction of a house, relevant documents including proof of funds transfer to the seller of the land, payment of stamp duty and land transfer documents were not provided for review. This was in contravention of Regulation 4 of the Public Finance Management (Makueni County State and Public Officers Car and Mortgage Fund) Regulations, 2017 which states that, the object and purpose of the fund is to

provide a loan scheme for the purpose of advancement to state officers and public officers funds for purchasing a car, purchase, development, renovation or repair of residential property by members of the Scheme, purchase of a residential plot for the purpose of constructing a residential property and construction of a house for residential purposes.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 continue 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 continue 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

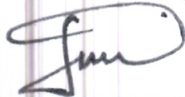
21 March, 2024

Muramba County Executive Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Performance for The Year Ended 30th June 2023

	Note	FY 2022/2023	FY 2021/2022
		KShs	KShs
Revenue from exchange transactions			
Interest income	2(a)	9,270,588	8,710,701
Other income			
Total revenue		9,270,588	8,710,701
Expenses			
Employee Costs	3	1,876,750	1,825,364
Use of goods and services	4(a)	5,407,843	5,081,362
General expenses	5	41,261	
Finance costs	6	1,880	
Total expenses		7,327,734	6,906,726
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		1,942,854	1,803,975

The notes set out on pages 6 to 27 form an integral part of these Financial Statements



Name: Sylvia Mbevi
Fund Administrator
ICPAK Member No:16462



Daniel Musau
Fund Accountant
ICPAK Member No:11026

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Financial Position as at 30 June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	7	21,383,140	14,255,584
Current portion of long-term receivables from exchange transactions	8	3,525,470	3,587,154
Prepayments			
Inventories			
Non-current assets			
Property, plant and equipment			
Intangible assets			
Long term receivables from exchange transactions	8	296,933,823	311,930,853
Total assets		321,842,433	329,773,591
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	869,074	10,743,086
Current portion of borrowings			
Non-current liabilities			
Non-current employee benefit obligation			
Long term portion of borrowings			
Total liabilities		869,074	10,743,086
Net assets		320,973,359	319,030,505
Revolving Fund	13	310,250,000	310,250,000
Accumulated surplus	13	10,723,359	8,780,505
Total net assets and liabilities		320,973,359	319,030,505

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18.12.2023 and signed by:



Name: Sylvia Mbevi
Fund Administrator
ICPAK Member No:16462



Daniel Musau
Fund Accountant
ICPAK Member No:11026

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement Of Changes in Net Assets for the year ended 30th June 2023

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2020	270,250,000	-	3,921,789	274,171,789
Surplus/(deficit) for the period			3,054,742	3,054,742
Funds received during the year	20,000,000			20,000,000
Revaluation gain				
Balance as at 30 June 2021	290,250,000		6,976,530	297,226,530
Balance as at 1 July 2022	290,250,000		6,976,530	297,226,530
Surplus/(deficit) for the period			1,803,975	1,803,975
Funds received during the year	20,000,000			20,000,000
Revaluation gain				
Balance as at 30 June 2022	310,250,000		8,780,505	319,030,505
Balance as at 1 July 2022	310,250,000		8,780,505	319,030,505
Surplus/(deficit) for the period			1,942,854	1,942,854
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2023	310,250,000		10,723,359	320,973,359



Name: Sylvia Mbevi
Fund Administrator
ICPAK Member No:16462



Daniel Musau
Fund Accountant
ICPAK Member No:11026

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Cash flows from operating activities			
Receipts			
Interest received	1(b)	8,576,020	8,107,622
Total Receipts		8,576,020	8,107,622
Payments			
Fund administration expenses	4(b)	3,248,036	3,524,447
Staff costs	3	1,876,750	1,825,364
Finance cost		1,880	120
Total Payments		5,126,666	5,349,931
Net cash flows from operating activities		3,449,354	2,757,691
Cash flows from investing activities			
Proceeds from loan principal repayments	11	32,711,661	33,276,609
Loan disbursements paid out	11	(49,033,460)	(47,660,223)
Net cash flows used in investing activities	11	(16,321,799)	(14,383,615)
Cash flows from financing activities			
Proceeds from revolving fund receipts	12	20,000,000	
Net cash flows used in financing activities		20,000,000	
Net increase/(decrease) in cash and cash equivalents		7,127,556	(11,625,924)
Cash and cash equivalents at 1st July 2022	11	14,255,584	25,881,508
Cash and cash equivalents at 30 June 2023	11	21,383,140	14,255,584

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)



Name: Sylvia Mbevi
Fund Administrator
ICPAK Member No:16462



Daniel Musau
Fund Accountant
ICPAK Member No:11026

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

19. Statement of Comparison of Budget and Actual Amounts for The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	FY 2022/2023	FY 2022/2023	FY 2022/2023	FY 2022/2023	FY 2022/2023	FY 2022/2023
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	20,000,000		20,000,000		20,000,000.00	-
Interest income	8,373,719		8,373,719	9,270,588	(896,869.00)	111%
Loan Repayments	35,000,000		35,000,000	32,711,661	2,288,338.92	93%
Total income	63,373,719		63,373,719	41,982,249	21,391,469.92	111%
Development Expenses						
Mortgage	35,000,000		35,000,000	29,033,460	5,966,540.00	83%
Car Loans	5,000,000		5,000,000		5,000,000.00	0%
Total Development expenditure	40,000,000		40,000,000	29,033,460	10,966,540	73%
Recurrent Expenses						
Fund administration expenses	4,884,669		4,884,669	5,407,843	(523,173.00)	111%
Staff costs	2,500,000		2,500,000	1,876,750	623,250.00	75%
General expenses	160,000		160,000	41,261	118,739.00	26%
Finance cost	2,000		2,000	1,880	120.00	94%
Total Recurrent expenditure	7,546,669		7,546,669	7,327,734	218,936.00	97%
Surplus for the period	15,827,050		15,827,050	5,621,055	10,205,995	

Budget notes

1. The fund attained 111% of actual interest received during financial year 2022/2023.
2. Fund administration expenses increased proportionately with increase in interest earned over the period.

[Signature]

20. Notes to the Financial Statements

1. General Information

Makueni County State and Public Officers Car Loan and Mortgage Fund is established by and derives its authority and accountability from Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations, 2017 Act. The entity is wholly owned by the Makueni County Government and is domiciled in Kenya. The entity's principal activity is to issue car loans and mortgage to members of the staff.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Standard	Effective date and impact:
IPSAS 41, Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

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

(iii) Early adoption of standards

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

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on 30th June, 2022.

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

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

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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 entity 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 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 carried 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.

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

b) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

c) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Summary Of Significant Accounting Policies (Continued)

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

e) Changes in accounting policies and estimates

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

f) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

g) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

h) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

i) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Comparative figures

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

Summary Of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

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 carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

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:

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

c) Provisions

No Provisions were raised.

6. Notes to The Financial Statements

1. Transfers from County Government

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	20,000,000	20,000,000
Payments By County on Behalf Of The Entity		
Total	20,000,000	20,000,000

2. (a) Interest income earned

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest income earned from Mortgage loans	9,019,699	8,659,848.06
Interest income earned from car loans	250,889	50,852.94
Total interest income	9,270,588	8,710,701

The above interest was earned from loans disbursed to beneficiaries. Interest income earned from the loans has been accounted in statement of financial performance for the year ended 30th June 2022.

(b) Interest income received

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest income received from loans mortgage	8,335,469	8,060,290
Interest income received from loans car loans	240,551	47,332
Total interest income	8,576,020	8,107,622

Actual Interest received from loan repayments has been accounted in statement of cash flows for the year ended 30 June 2022.

3. Employee Costs

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Staff training expenses		236,000
Social security contribution		
Other staff costs	1,876,750	1,589,364
Total	1,876,750	1,825,364

4. Use of Goods and Services

(a) Use of Goods and Services expenses incurred

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Professional services costs	5,407,843	5,081,362
Total	5,407,843	5,081,362

(b) Use of Goods and Services expenses paid

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Loan processing costs		
Professional services costs	3,206,775	3,524,447
Other expenses	41,261	
Total	3,248,036	3,524,447

5. General expenses

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Telecommunication	-	-
Capacity Building		-
Depreciation and amortization costs	-	-
Other expenses	41,261.00	-
Total	41,261.00	-

6. Finance costs

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Bank Charges	1,880	120
Total	1,880	120

7. Cash and cash equivalents

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Current account	21,383,140	14,255,584
Others		
Total Cash and Cash Equivalents	21,383,140	14,255,584

Makueni County State and Public Officers' Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

		FY2022/2023	FY2021/2022
Financial Institution	Account number	Kshs	Kshs
a) Current account			
Family Bank	088000006101	2,552,269	209,295.80
Family Bank	088000006103		9,700,000.00
Family Bank	088000006104	1,242,276	853,661.34
Family Bank	088000007620	17,588,595	3,492,627.30
Sub- total		21,383,140	14,255,584
Grand total		21,383,140	14,255,584

Notes to the Financial Statements Continued

8. Receivables from exchange transactions

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Interest receivable	742,105	721,181
Current loan repayments due	2,783,365	2,865,973
Other exchange debtors		
Less: impairment allowance		-
Total Current receivables	3,525,470	3,587,154
Non-Current receivables		
Long term loan repayments due	296,933,823	311,930,853
Total Non-current receivables	296,933,823	311,930,853
Total receivables from exchange transactions	300,459,293	315,518,007

Makueni County State and Public Officers' Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Additional disclosure on interest receivable

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	742,105	721,181
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year	98,303	174,925
Current loan repayments due		
Current portion of long-term loans from previous years	2,783,365	2,865,973
Accrued principal from long-terms loans from previous periods	296,933,823	311,930,853
Current portion of long-term loans issued in the current year	250,500	59,284,181

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To the Financial Statements (Continued)

9. Trade and other payables from exchange transactions

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Trade payables		9,700,000
Refundable deposits		
Accrued expenses	869,074	1,043,086
Other payables		
Total trade and other payables	869,074	10,743,086

10. Cash generated from operations

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income	9,270,588	8,107,622
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables	(17,721,536)	34,301,491
Increase in payables	(9,874,012)	(871,593)

11. Cash flows from investing activities

Description	FY2022/2023	FY2021/2022
	KShs	KShs
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment		
Proceeds from loan principal repayments	32,711,661	33,276,609
Loan disbursements paid out	(49,033,460)	(47,660,223)
Net cash flows used in investing activities	16,321,799	(14,383,615)

Makueni County State and Public Officers Car Loan and Mortgage Fund
 Annual Report and Financial Statements for the year ended June 30, 2022

12. Cash flows from financing activities

Description	FY2022/2023	FY2021/2022
Proceeds from revolving fund receipts	20,000,000	20,000,000
Additional borrowings		
Repayment of borrowings		
Net cash flows used in financing activities	20,000,000	20,000,000

13. Revaluation gain

	Revolving Fund	Accumulated surplus	Total
Balance as at 1 July 2022	310,250,000	8,780,505	319,030,505
Surplus/(deficit) for the period		1,942,854	1,942,854
Funds received during the year			
Revaluation gain			
Balance as at 30 June 2023	310,250,000	10,723,359	320,973,359

Other Disclosures

14. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

b) Related party transactions

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Transfers From Related Parties'		
Transfers To Related Parties		

c) Key management remuneration

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Board Of Trustees		
Key Management Compensation		
Total		

d) Due from related parties

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due From Parent Ministry		
Due From Key Management Personnel	8,125,6567	17,390,763
Total	8,125,6567	17,390,763.07

Other Disclosures Continued

e) Due to related parties

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due To Parent Ministry		
Due To County Government		
Due To Key Management Personnel		
Total		

15. Financial risk management

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

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

a) Credit risk

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

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

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

Other Disclosures Continued

	Total amount Kshs	Fully performing Kshs	Past due Ksh s	Impai red Kshs
At 30 June 2023				
Receivables From Exchange Transactions	300,459,293	300,459,293		
Receivables From Non-Exchange Transactions				
Bank Balances	21,383,140	21,383,140		
Total	321,842,433	321,842,433		
At 30 June 2022				
Receivables from exchange transactions	315,518,007	315,518,007		
Receivables from non exchange transactions				
Bank balances	14,255,584	14,255,584		
Total	329,773,591	329,773,591		

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

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Other Disclosures Continued

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables				
Current Portion of Borrowings				
Provisions				
Employee Benefit Obligation				
Total				
At 30 June 2022				
Trade Payables	10,743,086			10,743,086
Current Portion of Borrowings				
Provisions				
Employee Benefit Obligation				
Total	10,743,086			10,743,086

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

i. Foreign currency risk

The entity has no transactional currency exposures.

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management

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

	FY2022/2023	FY2021/2022
	Kshs	Kshs
Revolving fund	310,250,000	310,250,000
Accumulated surplus	10,723,359	8,780,505
Total funds	320,973,359	319,030,505
Total borrowings		
Less: cash and bank balances	21,383,140	14,255,584
Net debt/(excess cash and cash equivalents)		
Gearing	342,356,499	333,286,089

16. Events after the reporting period

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

17. Ultimate and Holding Entity

The entity is a County Public Fund established by Makueni County State and Public Officers Car Loan and Mortgage Fund Regulations, 2017 Act under the Department of Finance. Its ultimate parent is the County Government of Makueni.

18. Currency

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

Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

21. Annexes

Annex I: Progress On Follow Up of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
Ref.	Late disbursement of funds	The late disbursement of funds was due to delayed exchanger releases.	Resolved	N/A

~~DAW~~
18/12/22

**Makueni County State and Public Officers Car Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Annex II: Inter-Fund Confirmation Letter

REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY



**GOVERNMENT OF MAKUENI COUNTY
MAKUENI COUNTY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE FUND
P.O BOX 78 – 90300, MAKUENI**

The Makueni County Executive wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Makueni County Executive as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Makueni County Executive (Kshs) as at 30 th June 2023				Amount Received by Makueni County State and Public Officers Car Loan and Mortgage Fund (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
FT2218653KWH	05.07.2022		20,000.000.00		20,000.000.00	20,000.000.00	0
Total			20,000.000.00		20,000.000.00	20,000.000.00	0

I confirm that the amounts shown above are correct as of the date indicated.
Head of Accountants department of beneficiary Fund:
 Name Stella Mbovi Sign [Signature] Date 16/12/2023