

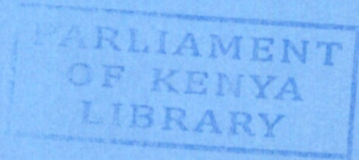
REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

OF



**THE AUDITOR-GENERAL**

ON

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

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

PAPERS LAID	
DATE	26.3.24
TABLED BY	Maj. Leader
COMMITTEE	C.P.I.C
CLERK AT THE TABLE	Karata



# COUNTY ASSEMBLY OF MAKUENI

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Email: [info@makueniassembly.go.ke](mailto:info@makueniassembly.go.ke)  
Website: [www.makueniassembly.go.ke](http://www.makueniassembly.go.ke)



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

20 DEC 2023

**RECEIVED**

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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<sup>th</sup>, 2023

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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**

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**Makueni County State and Public Officers Car loan and Mortgage Fund  
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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

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

**2. Key Entity Information and Management**

**a. Background information**

Makueni County Assembly Car and Mortgage Fund is established by and derives its authority and accountability from The Public Finance Management Makueni County State and Public Officers Car Loan and Mortgage fund *Regulations, 2017*. The Fund is wholly owned by the County Government of Makueni and is domiciled in Kenya.

The fund's objective is to disburse Car and Mortgage fund to State Officers and ensure accountability and proper use of public funds.

The Fund's principal activity is to manage all funds disbursed from the County Treasury to the Fund.

The County Assembly as constituted as per the constitution of Kenya is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 49 Members of County Assembly (MCAs) elected to represent members of the public from their respective wards. The MCAs are responsible for making any laws for effective performance of the County Government, approving plans and policies and playing the oversight role over the County Executive.

**b. Principal Activities**

*The principal activity/ mission/ mandate of the Fund is to Advance loans to state officers and public officers in accordance with the PFM Act 2012.*

**c. Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	HON KYALO MUMO	Chairperson
2	HON JADES KALUNDA	Committee Member
3	HON KENNEDY MANENO	Committee Member
4	HON JACKLINE MUTHINI	Committee Member
5	MR KEVIN MUTUKU	Fund Manager/ Administrator

**d. Key Management Steam**

Ref	Name	Position
1	MR KEVIN MUTUKU	Fund Manager/ Administrator
2	MR FRANCIS MAITHA	Fund Accountant
3		
4		
5		

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

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**Key Entity and Management (Continued)**

**e. Fiduciary Oversight Arrangements**

*Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

SN	Position	Name
1	Directorate Internal Audit	Nathan Kilonzo
2	Staff car Mortgage and car Loan Advisory Committee	Makueni County Assembly Car and Mortgage fund Committee.
3		

**f. Registered Offices**

P.O. Box 572-90300  
Off Wote – Makindu Highway  
Former Defunct County Council Office  
Opposite Makueni County Building Headquarter  
Makueni, KENYA

**g. Fund Contacts**

Telephone: 0731663505/ 0202393005

E-mail: [info@makuenicountyassembly.go.ke](mailto:info@makuenicountyassembly.go.ke)

Website: [www.makueniassembly.go.ke](http://www.makueniassembly.go.ke)

**h. Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Family Bank  
Wote Branch.
3. Rafiki Bank-Wote Branch

**Key Entity and Management (Continued)**

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

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**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**





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

**3. Board of Trustees/ Fund Administration Committee**

Name	Details of qualifications and experience
<p>1. Hon. Douglas Mbilu</p> 	<p>Speaker County Assembly/ Chair County Assembly Service Board. Over 8 Years experience with the County Government of Makueni (served as ECM water and chief of staff).</p> <p>Serving his second term as the Speaker of the County Assembly.</p>
<p>2. Hon. Justus Muema</p> 	<p>Vice chair Board/ MCA Kiima Kiu ward</p> <p>Serving his first term as a member of the County Assembly.</p>
<p>3.Hon. Elizabeth Kawembe</p> 	<p>Member board/ MCA Muvau ward</p> <p>Serving her second term as the members of Assembly.</p>
<p>4. Mr. Joseph Kimilu</p> 	<p>External Member Board</p> <p>Over 20 years as an electrical 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**

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<p>5. Miss. Ester Muoti</p> 	<p>External Member Board. Over 10 as a secondary school teacher.</p>
<p>6. Mr. Kevin Mutuku</p> 	<p>Clerk County Assembly/ Secretary Board. Over 7 Years working with the County Assembly, served as the Clerk for over 3 years.</p>

**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>1. HON KYALO MUMO</p> 	<p>MAJORITY LEADER</p> <p>OVER 7 YEARS WORKING WITH THE COUNTY GOVERNMENT. SERVING HIS SECOND TERM AS A MEMBER OF THE COUNTY ASSEMBLY.</p>
<p>2. HON KENNEDY MANENO</p> 	<p>MEMBER OF THE COUNTY ASSEMBLY</p> <p>SERVING HIS FIRST TERM.</p>
<p>3. HON JACKLINE MUTHINI</p> 	<p>MEMBER OF THE COUNTY ASSEMBLY</p> <p>SERVING HER FIRST TERM.</p>
<p>4. MR KEVIN MUTUKU</p> 	<p>ADMINISTRATOR OF THE FUND</p> <p>Over 3 years as the Administrator of the Fund.</p>
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

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


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**5. Board/Fund Chairperson's Report**

During the year there was no change in the fund management team and the performance of the fund was good as they were able to disburse car loans and mortgages to the Members of the County Assembly during the financial year.

The future outlook of the fund is promising depending on the financing of the fund by the County Treasury so as to be able to advance all members and staff requests on time and adequately.

I would like to thank all the management team and the technical staff who worked overboard to enable the success of the fund and ensure prudence in the use and administration of public funds.

F02  
Name HON. KYALO MUMO Signature  Date 19/12/2023

Chairperson of the Board/Fund

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

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**6. Report of The Fund Administrator**

*Section 164 of the Public Finance Management Act 2012 requires that at the end of each financial year, the Accounting Officers for a County Government entity shall prepare Financial Statements in respect to the entity in formats prescribed by The Public Sector Accounting Standards Board and submit the entity's financial statements within 3 months at the end of each financial year to the Auditor General with copies delivered to the County Treasury, Controller of Budget and Commission on Revenue Allocation.*

*There was value for money in management of the fund as it helped the beneficiaries improve their living standards by purchasing cars and houses.*

*The fund during the financial year 2022/2023 had a budget of **Kshs 223,640,604**. (Makueni County Assembly had budgeted for **Kshs 103,916,604** in its FY 2022/2023 Budget while **Kshs 119,724,000** was budgeted under the County Executive Budget. The total budget was **Kshs 223,640,604**.)*

*During the year the fund experienced loan delay while processing mortgage applications mainly due to long charging of title deeds to be co-owned by the County Assembly and the loan applicant to secure the property against any disposal.*

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

**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 Fund as per the strategic plan for 2021-2025 are to:

- To provide quality physical infrastructure in the County Assembly
- To ensure all staff have access to mortgage facilities
- To enable staff access mortgage facilities within the shortness period

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff and Hon Members.	To ensure all staff have access to Mortgage facilities	39 Number mortgages successfully applied	81% of staff taking Mortgage facilities	During FY 39 Members of staff accessed the facility and were able build their own houses
Provision of Car Loan facilities to all members of staff and Hon Members.	To ensure all staff have access to Car Loan facilities	11 Number of Car loans applied	22% Members were accessed car loan facility.	During FY 11 Members of staff accessed the facility and were purchased cars.

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

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**8. Corporate Governance Statement**

During the financial year 2022/2023 the committee held two training to familiarize itself with its roles and mandate. Members were also trained on the PFM Act Guidelines on how to safeguard the public funds while discharging their roles.

The role of the committee is to receive car and mortgage applications from Members of the County Assembly as well as the staff and scrutinize them to check whether all required documents and procedures are followed before disbursements of funds is made to the beneficiaries.

The committee also ensures that monthly deductions are done for all beneficiaries and the same deposited in the funds bank account for it to keep on revolving and growing to benefit other members and staff.

Members of the committee have performed very well as all applications received by the committee were acted upon within 3 days and in case a document is missing an official communication is done informing the affected applicant to submit the same for consideration.

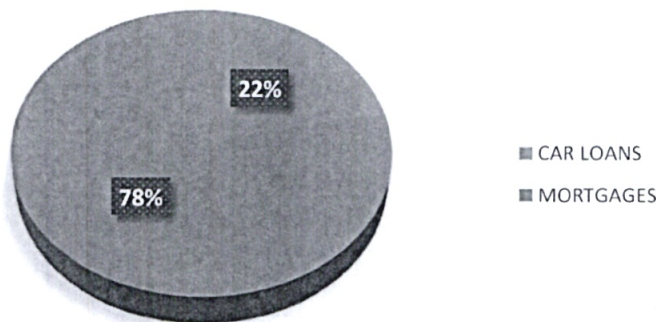
No conflict of interest in the committee has ever been experienced since high level of integrity is observed while discharging their mandates.

The committee remuneration is per the SRC circular on payment of committee allowances for Members of the County Assembly and support staff and the fund administrator are not paid any allowances during the meetings.

**9. Management Discussion and Analysis**

During the year there was no change in the fund management team and the performance of the fund was good as they were able to disburse a total of 11 Car loan and a total of 39 Mortgage to the Members of the County Assembly during the financial year.

**LOANS DISBURSED**



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

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The committee has managed to disburse both Car loans and Mortgage loans totalling to 50 applications and ensured all security to the loans are adhered to, in case of car loans all original logbooks are submitted for jointly registration by the applicant and the county government, mortgages are charged with the applicant's names and the county government in the title deed and a further search is done before disbursement of funds is done.

The committee has engaged Family bank which is the bank managing the funds and sign a Memorandum of Understanding and agreed that the bank should charge an interest of 1% and 2% should go back to the funds accounts to help it grow.

The loans committee has in many occasions written letters to the 1st Assembly mortgage beneficiaries and engaged them on the best way to continue paying their loans not to become defaulters and out of the 16 beneficiaries 5 are repaying their loans on time.

A court case filed by the 1st Assembly beneficiaries has hindered the committee on its full mandate to auction houses which belong to 3 defaulters once the court case is heard and determined the committee will take the necessary action to recover in full the defaulted amounts.

### **10. Environmental and Sustainability Reporting**

Makueni county assembly exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

#### **1. Sustainability strategy and profile**

To achieve Corporate Social Responsibility (CSR) this goal and shape, the Assembly Accounting Officer incentives in the intended direction requires substantial investments in the enforcement infrastructure and in human expertise which are in place in the Assembly.

#### **2. Environmental performance**

The Makueni County Environment and Climate Change Policy which was approved on 6<sup>th</sup> April, 2022. Provides for a legal framework to facilitate a coordinated, coherent and effective response to the local, national and global challenges and opportunities presented by climate change. An overarching mainstreaming approach has been adopted to ensure the integration of climate change considerations into development planning, budgeting and implementation in all sectors and at all levels of government. This Policy therefore aims to enhance adaptive capacity and build resilience to climate variability and change, while promoting a low carbon development pathway.

#### **3. Employee welfare**



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

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Makueni county assembly is a equal employer which considers gender ratio while hiring. The institution has been approved and adopted the HR policy; Gender policy 2020 has also been adopted and approved.

### **4. Market place practices**

- a) Responsible competition practice.

Makueni county assembly strictly adheres to the laid down procedures of procurement strictly using the IFMIS. the Assembly pays their contractors in time

- b) Marketing and advertisement-Makueni county Assembly advertises their contracts on the widely supplies daily newspapers to give members of the public a fair chance to apply.
- c) Product stewardship- consumer rights are kept confidential and all data and payment details are stored safely.

### **5. Community Engagements**

Makueni county assembly staff engages in charitable events and welfare. During the FY, the Institution participated in the following events:

- *Ligi Mashinani*

6. *The Makueni Volleyball team engaged teams from the county in competition and awareness on what the Assembly does on oversight activities done by the Institution.*



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

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- *Sports day*

*The institution organised a sports day which involved various players from other institutions in the Assembly grounds. This helped in team building among the staff and Hon Members*

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

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**11. 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 *approving loans to members of the County Assembly and staff.*

**Results**

The results of the Fund for the year ended June 30, 2023 are set out on page 12.

**Trustees**

The members of the Board of Trustees who served during the year are shown on page viii-Xi No changes of the board were done during the year.

**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

For: Hon. Kwaco Mwangi 

Chair of the Board/Fund Administration Committee

Date: 15/12/2023

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

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**12. 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 Car and Mortgage regulation 2017* 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.

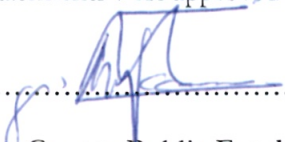
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Makueni County Car and Mortgage regulation 2017*. 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 18/07 2023 and signed on its behalf by:

.....  
  
**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

**HEADQUARTERS**  
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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY ASSEMBLY STATE AND PUBLIC OFFICERS CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Makueni County Assembly State and Public Officers Car Loan and Mortgage Fund set out on pages 1 to 42, which

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*Report of the Auditor-General on Makueni County Assembly State and Public Officers Car Loan and Mortgage Fund for the year ended 30 June, 2023*

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 Assembly 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 Loan and Mortgage Fund) Regulations, 2017.

## **Basis for Qualified Opinion**

### **1. Non-Performing Loans**

The statement of financial position and, as disclosed in Note 13B to the financial statements, reflects balances from long-term receivables from exchange transactions of Kshs.317,646,208. Included in the balance, is an amount of Kshs.64,088,239 relating to defaulted loans issued to the members of inaugural Makueni County Assembly. Although the Fund management has engaged debt collectors and written demand notices to the defaulters, there has not been any commitment from the loanees to repay the loans. Further, contrary to the guidelines of the Fund, the loans have not reverted to commercial terms despite the loans' status changing to "non-performing".

Further, the statement of financial position and, as disclosed in Note 13A to the financial statements, reflects current portion of long-term receivables from exchange transactions balance of Kshs.67,387,397. The balance includes an amount of Kshs.8,567,074 in respect of interest receivable. The interest relates to defaulted loans whose recoverability remains in doubt.

In the circumstances, recoverability of the long outstanding loans amounting to Kshs.64,088,239 and interest receivables balance of Kshs.8,567,074 remains doubtful.

### **2. Unconfirmed Expenditure on Use of Goods and Services**

The statement of financial performance and, as disclosed in Note 7 to the financial statements, reflects expenditure on use of goods and services of Kshs.6,627,028 which differs with the amount reflected in the statement of cash flows of Kshs.5,899,385 by an unexplained and unreconciled variance of Kshs.727,643.

In the circumstances, the accuracy of use of goods and services expenditure of Kshs.6,627,028 could not be confirmed.

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

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.229,143,209 and Kshs.194,890,482 respectively resulting to an underfunding of Kshs.34,252,728 or 15% of the approved budget.

The underfunding may have affected planned activities which may have impacted on service delivery to the staff of the County Assembly of Makueni.

### **2. Imminent Depletion of the Fund**

The statement of financial performance reflects a deficit of Kshs.5,986,352 increasing the Fund's accumulated deficit from Kshs.30,171,406 in the previous year to Kshs.36,157,759 in the year under review. If Management does not turn around the Fund and start reporting surpluses, then the revolving fund is likely to be depleted and therefore deny staff of Makueni County Assembly opportunity to own homes and/or cars.

My opinion is not modified in respect of these matters.

## **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.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the previous year's audit report, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

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

### **Basis of Conclusion**

#### **Non-Adherence to the Third of Basic Salary Rule**

Review of loan disbursement records revealed loans amounting to Kshs.179,610,203 had been disbursed in the year under review. Included in this amount are loans amounting to Kshs.83,249,897 whose disbursements resulted into staff salary deductions exceeding two-thirds of the basic pay to the beneficiaries.

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

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis of 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 services, disclosing as applicable, matters related to



sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or cease 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 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 sustain 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**12 March, 2024**


**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022-2023 FY	2021-2022 FY
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	1		
Transfers From the County Government	2		
Fines, Penalties and Other Levies	3		
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	5,488,541	5,019,451
Other Income	5	14,064	
<b>Total Revenue</b>		<b>5,502,605</b>	<b>5,019,451</b>
<b>Expenses</b>			
Employee Costs	6	4,861,930	5,284,359
Use of goods and services	7	6,627,028	11,817,121
Depreciation and Amortization Expense	8		
Finance Costs	9		
<b>Total Expenses</b>		<b>11,488,958</b>	<b>17,101,480</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10		
Gain /Loss on fair value of investments	11		
<b>Surplus/(Deficit) for the Period</b>		<b>-5,986,352</b>	<b>-12,082,030</b>

(The notes set out on pages 19 to 38 form an integral part of these Financial Statements)

Name:   
Administrator of the Fund

Name:   
Fund Accountant  
ICPAK Member Number: 13020

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**15. Statement of Financial Position As at 30 June 2023**


Description	Note	2022-2023 FY	2021-2022 FY
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	19,651,810	1,261,680
Current Portion of Long- Term Receivables From Exchange Transactions	13A	67,387,397	58,673,740
Prepayments	14		
Inventories	15		
Investments in financial assets	16		
<b>Total current assets</b>		<b>87,039,207</b>	<b>59,935,420</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17		
Intangible Assets	18		
Long Term Receivables from Exchange Transactions	13B	317,646,208	159,341,572
Investment Property	19		
<b>Total non- current assets</b>		<b>317,646,208</b>	<b>159,341,572</b>
<b>Total Assets</b>		<b>404,685,415</b>	<b>219,276,991</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	727,643	848,398
Current Portion of Borrowings	21		
Employee Benefit Obligations	22		
Social benefit liabilities	23		
<b>Total current liabilities</b>		<b>727,643</b>	<b>848,398</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	21		
Non-Current Employee Benefit Obligation	22		
Social benefit liabilities	23		
<b>Total Liabilities</b>		<b>727,643</b>	<b>848,398</b>

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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	Note	2022-2023 FY	2021-2022 FY
		Kshs	Kshs
<b>Net Assets</b>			
Revolving Fund		440,115,531	248,600,000
Reserves			
Accumulated Surplus		-36,157,759	-30,171,406
<b>Total Net Assets and Liabilities</b>		<b>404,685,415</b>	<b>219,276,991</b>

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: **ROBERT MASYAKA**  
Administrator of the Fund

.....  
  
Name: **Francis Maitha**  
Fund Accountant  
ICPAK Member Number: **13020**

**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 Changes in Net Assets for the year ended 30<sup>th</sup> June 2023.**

Description	Revenue	Revaluation	Transferable	
	Income	Reserve	Assets	Assets
		Gain	Loss	Loss
<b>Balance As At 1 July 2021</b>	248,600,000		-18,089,377	230,510,623
Surplus/(Deficit) For the Period			-12,082,030	-12,082,030
Funds Received During the Year				
Transfers				
Revaluation Gain				
<b>Balance As At 30 June 2022</b>	248,600,000		-30,171,407	218,428,593
<b>Balance As At 1 July 2022</b>	248,600,000		-30,171,407	218,428,593
Surplus/(Deficit) For the Period			-5,986,352	-5,986,352
Funds Received During the Year	191,515,531			191,515,531
Transfers				
Revaluation Gain				
<b>Balance As At 30 June 2023</b>	<b>440,115,531</b>		<b>-36,157,759</b>	<b>403,957,772</b>

**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 Cash Flows for The Year Ended 30 June 2023.**

Description	Note	2022-2023 FY	2021-2022 FY
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1		
Transfers from the county government	2		
Interest received	4	3,360,887	2,692,816
Receipts from other operating activities	5	14,064	
<b>Total receipts</b>		<b>3,374,950</b>	<b>2,692,816</b>
<b>Payments</b>			
Employee Costs	6	4,861,930	5,284,359
Use of Goods and services	7	5,899,385	11,817,121
Finance cost			
Other payments			
<b>Total Payments</b>		<b>10,761,315</b>	<b>17,101,480</b>
<b>Net cash flows from operating activities</b>		<b>-7,386,364</b>	<b>-14,408,664</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets			
Proceeds from sale of property, plant & equipment			
Proceeds from loan principal repayments		25,956,966	16,558,661
Loan disbursements paid out		-179,610,203	-7,000,000
Car grant paid out		-1,400,000	
<b>Net cash flows used in investing activities</b>		<b>-155,053,237</b>	<b>9,558,661</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		191,515,531	
Additional borrowings		2,500,000	6,700,000
Repayment of borrowings		-13,185,800	-2,000,000
<b>Net cash flows used in financing activities</b>		<b>180,829,731</b>	<b>4,700,000</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>18,390,130</b>	<b>-150,004</b>
Cash and cash equivalents at 1 July	12	1,261,680	1,411,683
<b>Cash and cash equivalents at 30 June 2023</b>	<b>12</b>	<b>19,651,810</b>	<b>1,261,680</b>



**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**18. Statement Of Comparison of Budget and Actual Amounts For the year ended 30 June 2023**

Description	Budget	Actual	Actual/Budget	Actual/Budget	Actual/Budget	
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations						
Transfers From County Govt.	223,640,604	-	223,640,604	191,515,531	32,125,072	86%
Interest Income	5,488,541	-	5,488,541	3,360,887	2,127,655	61%
Other Income	14,064	-	14,064	14,064		100%
<b>Total Income</b>	<b>229,143,209</b>		<b>229,143,209</b>	<b>194,890,482</b>	<b>34,252,728</b>	
<b>Expenses</b>						
Employee costs	4,861,930	-	4,861,930	4,861,930	0	100%
Use of Goods and Services	6,627,028		6,627,028	6,627,028	0	100%
Finance Cost						
<b>Total Expenditure</b>	<b>11,488,958</b>		<b>11,488,958</b>	<b>11,488,958</b>	<b>0</b>	
<b>Surplus For the Period</b>	<b>217,654,252</b>		<b>217,654,252</b>	<b>183,401,524</b>	<b>34,252,728</b>	
<b>Capital expenditure</b>						

**Budget notes**

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Makueni County Assembly had budgeted for **Kshs 103,916,604** in its FY 2022/2023 Budget while **Kshs 119,724,000** was budgeted under the County Executive Budget. The total budget was **Kshs 223,640,604**.

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

**19. Notes to the Financial Statements**

**1. General Information**

Makueni county Assembly entity is established by and derives its authority and accountability from car and mortgage 2017 Act. The entity is wholly owned by the Makueni County Government and is domiciled in Kenya. The entity's principal activity is to disburse and regulate car and mortgage loans.

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

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> </ul>

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Standard	Effective date and impact
	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Standard	Effective date and impact
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

(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 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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>

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Standard	Effective date and impact:
	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.

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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

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**3. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2022-2023 was approved by the County Assembly on 24<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of nil on the FY 2022-2023 budget following the governing body's approval.

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.

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Summary of Significant Accounting Policies (Continued)**

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

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

**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.

**e) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an ∞-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. (entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Summary of Significant Accounting Policies (Continued)**

**f) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.



**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

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

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**Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**g) 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.

**h) 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.

**i) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

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

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*Summary of Significant Accounting Policies (Continued)*

**j) Contingent liabilities**

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

**Contingent assets**

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

**k) 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.*

**l) 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.

**m) 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.

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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*Summary of Significant Accounting Policies (Continued)*

**n) 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.

**o) 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.

**p) 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.

**q) 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.

**r) 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**

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

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

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

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

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	2022-2023 FY	2021-2022 FY
	KSh	KSh
Donation From Development Partners		
Contributions From the Public		
<b>Total</b>		

*(Provide brief explanation for this revenue)*

**2. Transfers from County Government**

Description	2022-2023 FY	2021-2022 FY
	KSh	KSh
Transfers From County Govt. –Operations		
Payments By County On Behalf Of The Entity		
Unconditional Development grants		
<b>Total</b>		

**3. Fines, penalties and other levies**

Description	2022-2023 FY	2021-2022 FY
	KSh	KSh
Late Payment Penalties		
Fines		
<b>Total</b>		

*(Provide brief explanation for this revenue)*

**4. Interest income**

Description	2022-2023 FY	2021-2022 FY
	KSh	KSh
Interest Income from Mortgage and Car Loans-Received	3,360,887	2,692,815
Interest Income from Mortgage and Car Loans-Accrued (defaulted)	2,127,655	2,326.634
<b>Total Interest Income</b>	<b>5,488,541</b>	<b>5,019,450</b>

*(Provide brief explanation for this revenue)*

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

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Insurance Recoveries		
Income from Sale of Tender Documents		
Bad debts recovered		
Interest income from Bank Deposits	14,064	
<b>Total Other Income</b>	<b>14,064</b>	

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).*

**6. Employee Costs**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Salaries And Wages		
Staff Gratuity		
Staff Training and Allowances Expenses	4,861,930	5,284,359
Social Security Contribution		
Other <i>(Specify)</i>		
<b>Total</b>	<b>4,861,930</b>	<b>5,284,359</b>

**7. Use of Goods and Services**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
General Office Expenses		
Loan Processing Costs		
Professional Services Costs	1,724,128	2,407,722
Professional Services Costs- Payable to Family Bank	727,643	
Committee Allowances		
Bank Charges		
Electricity And Water Expenses		

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

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Fuel And Oil Costs		
Insurance Costs	4,169,647	586,834
Postage And Courier		
Printing And Stationery		
Rental Costs		
Security Costs		
Telephone And Communication Expenses		
Bank Charges	5610	25,800
Audit Fees		
Provision For Doubtful Debts		
Other ( <i>Specify</i> )		8,640,864
Social benefit expenses*		155,900
<b>Total</b>	<b>6,627,028</b>	<b>11,817,121</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42*

**8. Depreciation and Amortization Expense**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Property Plant and Equipment		
Intangible Assets		
<b>Total</b>		

**9. Finance costs**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Interest On Bank Overdrafts		
Interest On Loans From Banks		
<b>Total</b>		

**10. Gain/(loss) on disposal of assets**

Description	2022-2023 FY	2021-2022 FY
	Kshs.	Kshs.
Property, Plant and Equipment		
Intangible Assets		



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

Total		
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**11. Gain/ (loss) on Fair Value Investments**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Investments at Fair Value- Equity investments		
Fair value – Investment property		
Fair value- other financial assets (specify)		
<b>Total Gain</b>		

**12. Cash and cash equivalents**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Makueni County Assembly Car and mortgage Loan Account	19,651,810	1,261,680
Fixed Deposits Account		
On – Call Deposits		
Current Account		
Others ( <i>Specify</i> )		
<b>Total Cash And Cash Equivalents</b>	<b>19,651,810</b>	

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

**Notes to the Financial Statements Continued**

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

		2022-2023 FY	2021-2022 FY
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank			
Equity Bank, Etc.			
<b>Sub- Total</b>			
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank			
Equity Bank - Etc.			
<b>Sub- Total</b>			
<b>c) Current Account</b>			
Rafiki Microfinance Bank		85,365	1,261,680
Family Bank		19,566,445	
<b>Sub- Total</b>		<b>19,651,810</b>	<b>1,261,680</b>
<b>d) Others (Specify)</b>			
Cash In Transit			
Cash In Hand			
<b>Sub- Total</b>			
<b>Grand Total</b>		<b>19,651,810</b>	<b>1,261,680</b>

**13. Receivables from exchange transactions**

	2022-2023 FY	2021-2022 FY
<b>13.A Current Receivables</b>		
Interest Receivable	8,567,074	4,953,063
Current Loan Repayments Due	55,120,676	53,720,676
Insurance cost receivable from members	3,699,647	
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>67,387,397</b>	<b>58,673,740</b>
<b>13.B Non-Current Receivables</b>		
Long Term Loan Repayments Due	317,646,208	159,341,572
<b>Total Non- Current Receivables</b>	<b>317,646,208</b>	<b>159,341,572</b>
<b>Total Receivables from Exchange Transactions</b>		

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

**Notes to the Financial Statements Continued**

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

		2022-2023 FY	2021-2022 FY
		Kenya	Kenya
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank			
Equity Bank, Etc.			
<b>Sub- Total</b>			
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank			
Equity Bank - Etc.			
<b>Sub- Total</b>			
<b>c) Current Account</b>			
Rafiki Microfinance Bank		85,365	1,261,680
Family Bank		19,566,445	
<b>Sub- Total</b>		<b>19,651,810</b>	<b>1,261,680</b>
<b>d) Others (Specify)</b>			
Cash In Transit			
Cash In Hand			
<b>Sub- Total</b>			
<b>Grand Total</b>		<b>19,651,810</b>	<b>1,261,680</b>

**13. Receivables from exchange transactions**

	2022-2023 FY	2021-2022 FY
	Kenya	Kenya
<b>13.A Current Receivables</b>		
Interest Receivable	8,567,074	4,953,063
Current Loan Repayments Due	55,120,676	53,720,676
Insurance cost receivable from members	3,699,647	
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>67,387,397</b>	<b>58,673,740</b>
<b>13.B Non-Current Receivables</b>		
Long Term Loan Repayments Due	317,646,208	159,341,572
<b>Total Non- Current Receivables</b>	<b>317,646,208</b>	<b>159,341,572</b>
<b>Total Receivables from Exchange Transactions</b>		

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

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

	2022-2023 FY	2021-2022 FY
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years		
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		
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

**14. Prepayments**

	2022-2023 FY	2021-2022 FY
Prepaid Rent		
Prepaid Insurance		
Prepaid Electricity Costs		
Other Prepayments ( <i>Specify</i> )		
<b>Total</b>		

**15. Inventories**

	2022-2023 FY	2021-2022 FY
Consumable Stores		
Spare Parts And Meters		
Catering		
Other Inventories ( <i>Specify</i> )		

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

Total Inventories at The Lower of Cost and Net Realizable Value		
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Notes to the Financial Statements Continued

**16. Investments in financial assets**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
<b>a. Investment in Treasury bills and bonds</b>		
Financial institution		
CBK		
CBK		
Sub- total		
<b>b. Investment with Financial Institutions/ Banks</b>		
Bank x		
Bank y		
Sub- total		
<b>c. Equity investments (specify)</b>		
Equity/ shares in Entity		
Sub- total		
<b>Grand total</b>		

*(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.*

**Movement of Equity Investments**

Impairment allowance/ provision	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
At the beginning of the year		
Purchase of investments in the year		
Sale of investments during the year		
Gain/(loss) in fair value of investments through surplus or deficit		
<b>At the end of the year</b>		

**e) Shareholding in other entities**

*For investments in equity share listed above, list down the equity investments under the following categories:*

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Kshs	Current year Kshs	Prior year Kshs

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Entity A						
Entity B						
Entity C						

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

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

At 1 <sup>st</sup> July (Previous FY)					
Additions					
Disposals					
Transfers/Adjustments					
At 30 <sup>th</sup> June (Previous FY)					
At 1 <sup>st</sup> July (Current FY)					
Additions					
Disposals					
Transfer/Adjustments					
At 30 <sup>th</sup> June (Current FY)					
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July (Previous FY)					
Depreciation					
Impairment					
At 30 <sup>th</sup> June (Previous FY)					
At 1 <sup>st</sup> July (Current FY)					
Depreciation					
Disposals					
Impairment					
Transfer/Adjustment					
At 30 <sup>th</sup> June (Current FY)					
Net Book Values					
At 30 <sup>th</sup> June (Previous FY)					
At 30 <sup>th</sup> June (Current FY)					

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

**Notes To the Financial Statements (Continued)**

**18. Intangible assets**

Description	2022-2023 FY	2021-2022 FY
<b>Cost</b>		
At Beginning of The Year		
Additions		
At End of The Year		
<b>Amortization And Impairment</b>		
At Beginning of The Year		
Amortization		
At End of The Year		
Impairment Loss		
At End of The Year		
<b>NBV</b>		

**19. Investment Property**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
At beginning of the year		
Additions		
Disposal during the year		
Depreciation		
Impairment		
Gain/(loss) in fair value (if fair value is elected)		
<b>At end of the year</b>		

*(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.*



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

Notes To The Financial Statements (Continued)

**20. Trade and other payables from exchange transactions**

	2022-2023 FY		2021-2022 FY	
	Kenya Shs.	US\$	Kenya Shs.	US\$
Trade Payables				
Refundable Deposits				
Accrued interest to Rafiki Microfinance Bank			848,398	
Accrued interest payable to Family Bank	727,643			
<b>Total Trade and Other Payables</b>			<b>848,398</b>	
<b>Ageing analysis (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	727,643	100%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
<b>Total (tie to above total)</b>	<b>727,643</b>			

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

**21. Provisions**

	2022-2023 FY		2021-2022 FY	
	Kenya Shs.	US\$	Kenya Shs.	US\$
Balance At the Beginning of The Year				
Additional Provisions				
Provision Utilised				
Change Due to Discount and Time Value For Money				
Transfers From Non -Current Provisions				
<b>Balance At the End of The Year</b>				

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

**Notes To the Financial Statements (Continued)**

**22. Borrowings**

	2022-2023 FY	2021-2022 FY
<b>Balance At Beginning of The Period</b>		
External Borrowings During the Year		
Domestic Borrowings During the Year		
Repayments Of External Borrowings During the Period		
Repayments Of Domestic Borrowings During the Period		
<b>Balance At End of The Period</b>		

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

Description	2022-2023 FY	2021-2022 FY
<b>External Borrowings</b>		
Dollar Denominated Loan From - Organization'		
Sterling Pound Denominated Loan From '- Organization'		
Euro Denominated Loan from - Organization'		
<b>Domestic Borrowings</b>		
Kenya Shilling Loan From KCB		
Kenya Shilling Loan from Barclays Bank		
Kenya Shilling Loan from Consolidated Bank		
Borrowings From Other Government Institutions		
<b>Total Balance at End of The Year</b>		

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

	2022-2023 FY	2021-2022 FY
Short Term Borrowings (Current Portion)		
Long Term Borrowings		
<b>Total</b>		

(NB: the total of this statement should tie to note 22 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41)

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Notes To the Financial Statements (Continued)

**23. Employee benefit obligations**

	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Current Benefit Obligation		
Non-Current Benefit Obligation		
<b>Total</b>		

**24. Social Benefit Liabilities**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Health social benefit scheme		
Unemployment social benefit scheme		
Orphaned and vulnerable benefit scheme		
Elderly social benefit scheme		
Bursary social benefits		
<b>Total</b>		
Current social benefits		
Non- current social benefits		
<b>Total (tie to totals above)</b>		

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.*

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

**Notes To The Financial Statements (Continued)**

**25. Cash generated from operations**

	2022-2023 FY	2021-2022 FY
Surplus/ (Deficit) For the Year Before Tax		
<b>Adjusted For:</b>		
Depreciation		
Amortisation		
Gains/ Losses on Disposal of Assets		
Interest Income		
Finance Cost		
<b>Working Capital Adjustments</b>		
Increase In Inventory		
Increase In Receivables		
Increase In Payables		
<b>Net Cash Flow from Operating Activities</b>		

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

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

Notes To the Financial Statements (Continued)

**26. 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	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Transfers From Related Parties'		
Transfers To Related Parties		

**c) Key management remuneration**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Board Of Trustees		
Key Management Compensation		
<b>Total</b>		

**d) Due from related parties**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Due From Parent Ministry		
Due From County Government		
<b>Total</b>		

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**Other Disclosures Continued**

**e) Due to related parties**

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Due To Key Management Personnel		
JADES KALUNDA MUEMA	4,362,659.70	
KYALO MUMO	4,365,039.15	
BENEDICT KENNEDY MANENO	4,365,039.15	
JACKLINE MUTHINI KAMULA	2,051,495.40	
<b>Total</b>	<b>15,144,233.40</b>	

**27. Contingent assets and contingent liabilities**

Contingent Liabilities	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Court Case Against the Fund		
Bank Guarantees		
<b>Total</b>		

*(Give details)*

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Notes To the Financial Statements (Continued)**

**28. 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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions				
Receivables From Non-Exchange Transactions				
Bank Balances				
<b>Total</b>				
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions				
Receivables From Non-Exchange Transactions				
Bank Balances				
<b>Total</b>				

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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**Notes To the Financial Statements (Continued)**

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

The entity has significant concentration of credit risk on amounts due from xxxx

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June (Current FY)</b>				
Trade Payables				
Current Portion of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>				
<b>At 30 June (Comparative FY)</b>				
Trade Payables				
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
<b>Total</b>				



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**Notes To the Financial Statements (Continued)**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June (Current FY)</b>			
Financial Assets			
Investments			
Cash			
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables			
Borrowings			
<b>Net Foreign Currency Asset/(Liability)</b>			

*The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.*

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Notes To The Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>(Current FY)</b>			
Euro	10%		
USD	10%		
<b>(Comparative FY)</b>			
Euro	10%		
USD	10%		

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs - (2022: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2021 - Kshs -).

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**Notes To The Financial Statements (Continued)**

**d) Capital risk management.**

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

Description	2022-2023 FY	2021-2022 FY
	Kshs	Kshs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>		

**29. Events after the reporting period**

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

**30. Ultimate and Holding Entity**

The entity is a County Public Fund established by PFM Act (*state the legislation establishing the Fund*) under the Makueni County Assembly. Its ultimate parent is the County Government of Makueni.

**31. Currency**

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

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**20. 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p><b><u>REPORT OF THE AUDITOR ON MAKUENI COUNTY STATE AND PUBLIC OFFICERS CAR AND MORTGAGE LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2022</u></b></p>	<p>The statement of financial position reflects a balance of Kshs. 159,341,572 in respect to long term receivable. Includes in the balance in an amount of Kshs. 65,856,950 relating to defaulted loans from the first Assembly. Further, although the Assembly had engaged debt collectors and written notice to the defaulters, the loanees had not shown commitment to repay the amount outstanding. In addition, the loan not reverted to commercial terms that would have attracted prevailing market interest rates contrary to section 19 of the Makueni County Assembly State and public officer Car Loan</p>	<p>The management has instituted recovery of funds defaulted by the members and letters done to each demanding them to pay the amount defaulted. Copies of demand letters have been attached for review. A court case High Court No. PET/7/2017 filed by 1<sup>st</sup> Assembly 16 members Vs Salaries and Remuration Commission and the Controller of Budget and 4 others which is still active in Court has prevented the management from instituting recovery measures. However, Hon Francis Mutuku since his re-election has been repaying his loan promptly awaiting the ruling of the Court. The management has initiated collection of rents from various members to reduce their dues Hon Mary Mwololo has committed in writing to enable the same towards her loan repayments.</p>	<p>On-going</p>	<p>June 2024</p>

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and Mortgage Guidelines.			
	<p>The statement of financial position and as disclosed under Note 12 to the financial statements reflects a balance of Kshs. 159,341,572 in respect to long term receivables from exchange transactions. Included in the balance is an amount of Kshs. 65,856,950 relating to outstanding principal loan balances from the first Assembly that has since been defaulted. In addition, a review of personal files revealed that the loans were advanced contrary to the provisions of the Salaries and Remuneration Commission's Circular reference number SRC/TS/CGOV T/3/16 dated 11 November 2013 as outlined below:</p> <p>(a) Car and mortgage loans were advanced to</p>	<p>We have an ongoing court case High Court No. PET/7/2017 filed by 1<sup>st</sup> Assembly 16 members Vs Salaries and Remunerations Commission and the Controller of Budget and 4 others which is still active in Court has prevented the management from instituting recovery measures</p>	<p>On-going</p>	<p>June 2024</p>

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	beneficiaries and payable over a period of 20 years as opposed to 5 years or before the end of the office term whichever is earlier.			


**Guidance Notes:**

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

Fund Manager/Accounting Officer (enter title of head of Fund)

Date.....

19/12/2023

ROBERT MUYUKA  


**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Annex II: Inter-Fund Confirmation Letter**

The Makueni County State and Public Officers Car and Mortgage Fund wishes to confirm the amounts disbursed to the fund as at 30<sup>th</sup> June 2023 is indicated in the table below.

Confirmation of amounts received by Makueni County State and Public Officers Car and Mortgage Fund as at 30 <sup>th</sup> June 2023.							
Reference Number	Date Disbursed	Amounts Disbursed (Kshs) as at 30 <sup>th</sup> June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
FT22362YM4WY	27-Dec-2022	60,000,000			60,000,000	60,000,000	-
FT23073DJCZG	13-Mar-2023	28,756,000			28,756,000	28,756,000	-
FT23087DVMYZ	27-Mar-2023	30,968,000			30,968,000	30,968,000	-
FT23172JQ0DT	20-June-2023	25,491,531			25,491,531	25,491,531	-
FT23172PP5Q9	20-June-2023	46,300,000			46,300,000	46,300,000	-
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name ..... Francis Maitha ..... Sign ..... [Signature] ..... Date ..... 19/12/2023 .....

**Makueni County State and Public Officers Car loan and Mortgage Fund  
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**Annex III: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		



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**Annex IV: Reporting on Disaster Management Expenditure**

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments