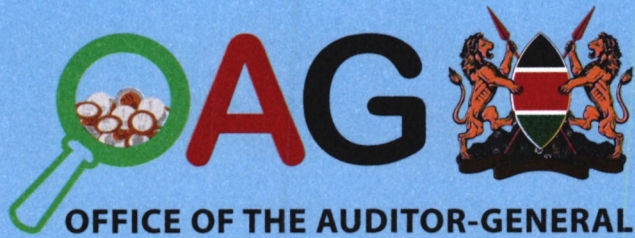


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 FEB 2023 WED

TABLED
BY:

Deputy leader majority party
Hon Owen Bayart MP

CLERK AT
THE TABLE:

Miriam Mudo

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

JUDICIARY MORTGAGE SCHEME

FOR THE YEAR ENDED
30 JUNE, 2023





REPUBLIC OF KENYA

THE JUDICIARY



OFFICE OF THE AUDITOR OF
P. O. Box 30084 - 00100 NAIROBI
RECEIVED
24 JAN 2024
RECEIVED

MORTGAGE SCHEME

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

Prepared in accordance with Modified Accounting Method under the International
Public Sector Accounting Standards (IPSAS)

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

ISS: 14/1/23

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Contents

1. KEY SCHEME INFORMATION AND MANAGEMENT	ii
2. CHAIRMAN'S STATEMENT	vi
3. CORPORATE GOVERNANCE STATEMENT	vii
4. MANAGEMENT DISCUSSION AND ANALYSIS	viii
5. ENVIRONMENTAL AND SUSTAINABILITY	ix
6. REPORT OF FUND ADMINISTRATIVE COMMITTEES	x
7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	xi
8. REPORT OF THE AUDITOR GENERAL	xiii
9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023. 1	
10. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023	2
11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 TH JUNE 2023. ...	3
12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2023	4
13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023	5
14. NOTES TO THE FINANCIAL STATEMENTS	6

1. KEY SCHEME INFORMATION AND MANAGEMENT

a) Background information

The mandate of the Judicial Service Commission is stated in the Constitution Article 172 (1)(b) and Judicial Service Act No. 1 of 2011, the same also derives its authority from the PFM Act Section 24. The Scheme is wholly owned by The Judiciary and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Scheme is;

- To provide loan facilities at negotiated interest rates to purchase or build their own houses
- To provide decent living conditions for the Judiciary staff
- To provide incentive to staff as a means of attracting and retaining high calibre staff.

c) Scheme Administrator

The Scheme is managed by the Kenya Commercial Bank Limited and National Bank of Kenya and this is done based on the Banking loan management policies. The Scheme Administrator is the Chief Registrar of the Judiciary. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Scheme for the disbursement of loans, and supervising the day-to-day operations of the Scheme.

The Committee is responsible for the day-to-day operations which include;

- ❖ Processing applications for loans in accordance with the existing terms and conditions of borrowing
- ❖ Liaise with the Financial Institutions managing the funds in disbursing the funds
- ❖ Supervise the day-to-day running of the Scheme

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Judiciary Loans Management Committee Members.

The Loans committee that served during the period under review were:

Ref	Position	Name
1.	Chairperson	Hon. Moses Serem
2.	Committee Members	Hon. Benard Eboso Hon. Caroline Kabucho Hon. Fredrick Momanyi Hon. Sharon Mwayuli Dr. Elizabeth Kalei CPA Domsiana Onyango CPA Susan Oyatsi Jeremiah Nthusi Catherine Wambui Kero Tadiko Martin Mutua
3.	Scheme Administrator	Chief Registrar of the Judiciary.

d) Key Management

Ref	Position	Name
	Secretary	Dr. Elixzabeth Kalei
	Committee Members	Scheme Accountant – CPA Domsiana Onyango Hon. Caroline Kabucho Hon. Fredrick Momanyi Hon. Sharon Mwayuli

e) Fiduciary Oversight Arrangements

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Ref	Position	Name
1.	Chairperson	Hon. Moses Serem
2.	Secretary	Dr. Elizabeth Kalei

f) Registered Offices

Supreme Court Building,
P.O. Box 30041-00100,
Taifa Hall Way,
Nairobi, KENYA.

g) Scheme Contacts

Telephone: (254) 0202221221
E-mail: info@judiciary.com
Website: www.judiciary.go.ke

h) Scheme Bankers

Kenya Commercial Bank Limited
Kencom House
Moi Avenue
P.O Box 48400-00100
NAIROBI, KENYA

National Bank of Kenya Limited
Head Office, National Bank Building
Harambee Avenue,
P.O. Box 72866-00200
NAIROBI, KENYA

i) Independent Auditors

Auditor-General
Office of the Auditor General

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

NAIROBI, KENYA

j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

NAIROBI, KENYA

2. CHAIRMAN'S STATEMENT

The Judiciary established the Judiciary Mortgage Scheme at the beginning of the 2011/2012 financial year with an aim of providing the Judges, Judicial Officers and Staff with mortgage to purchase build their own homes. Since that time, approximately KShs. 6.643 Billion worth of loans have been disbursed. In the Financial Year under review total number of 66 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 703,485,815.

Objectives of the Schemes

The main objective of the schemes is to enable the Judiciary mitigate high staff turnover thus retaining staff and also ensure the judiciary is an attractive employer. The specific objectives are:

- To provide loan facilities at negotiated interest rates to purchase or build houses.
- To provide decent living conditions for employees of the judiciary
- To provide incentive to staff as a means of attracting and retaining a high calibre

52

.....
Hon. Moses Serem

**Chairperson Loans Management
Committee**

3. CORPORATE GOVERNANCE STATEMENT.

The Judiciary Mortgage Scheme operations and financial responsibilities are overseen by the Chief Registrar of the Judiciary who is the Accounting Officer. The operations are guided by the approved annual budget based on programs whose performance is monitored through outcomes and outputs. The budget is informed by detailed work plans that translate into annual procurement plans.

The Judiciary has put in place the following standing committees for oversight purposes; Risk and Audit, Budget Management and Implementation Committee. These committees are comprised of Directors and officers co-opted from various directorates. In addition, an internal audit department charged with continuous review of systems of internal control and overall risk management is in place.

Programmes are monitored against set targets and appropriate feedback provided. Operational performance is monitored on a monthly basis through periodic financial reporting of actual expenditure versus budget performance which provides feedback to user's departments on appropriate action plans. Quarterly financial statements are also produced to facilitate continuous evaluation of the overall performance of the Judiciary. The Judiciary prepares annual statutory financial statements which are audited by the Office of Auditor General.

4. MANAGEMENT DISCUSSION AND ANALYSIS

The Judiciary Mortgage Scheme was introduced in the financial year 2011/2012 with initial funds at Kshs.430 Million.

The facility is an exciting benefit to the Judiciary staff and Judges. In this financial year, a total number of 66 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 703,485,815.

The Management is hopeful that in the future the scheme will be a revolving that is self – sustaining. To effectively manage the risk, the management took a decision to engage an independent service provider in order to tap their expertise in credit management.

The challenges facing the Scheme Include;

- ❖ The turnaround of the loans is low as there is so much delays in the securitization of the properties.
- ❖ The funding level from is low and not sufficient to cater for all the loan applicants at any given time the Loan management Committee hold a meeting.
- ❖ There is a long queue of unapproved loans due to lack of funding and this causes loss of identified properties.

5. ENVIRONMENTAL AND SUSTAINABILITY

The Judiciary's environmental sustainability dictates that all the structural buildings being put up adhere to National Environment Management Authority (NEMA) requirements and that all the relevant approvals either from City Council or County government offices are granted.

All mortgage beneficiaries are sensitized on low cost building projects offered by the government and that the funds are not used up to put up commercial buildings.

6. REPORT OF FUND ADMINISTRATIVE COMMITTEES

The Judiciary has prepared the end of the financial year's Financial Statements for the year ended June 30, 2023.

The Judiciary Loans Management Committee Members

The members of the Judiciary Loans Management Committee are shown on page iii

Auditors

The Auditor General is responsible for the statutory audit of the Judiciary Housing Scheme.

7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of the Scheme is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme 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 Scheme, (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 Scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Scheme accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and. The Administrator of the Scheme is of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2023, and of the Scheme's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

In preparing the financial statements, the Administrator of the Scheme has assessed the Scheme'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 Scheme 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 Scheme's financial statements were approved by on _____ 2023 and signed on its behalf by:



.....
Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary



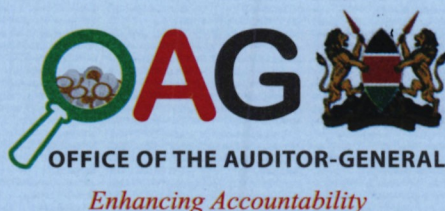
.....
Hon. Moses Serem
Scheme Chairperson



.....
CPA Domsiana Onyango
Scheme Accountant

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Judiciary Mortgage Scheme set out on pages 1 to 24, which comprise the statement of financial position as at

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

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.

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 the Judiciary Mortgage Scheme 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.

Basis for Qualified Opinion

1. Unsupported Balances

1.1. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 4 to the financial statements reflects cash and cash equivalents balance of Kshs.1,171,724,523. The balance comprises of current and fixed account deposit balances held at NBK and KCB of Kshs.25,141,677 and Kshs.1,146,582,845 respectively. However, bank reconciliation statements, certificate of fixed deposit account and cash books in support of the balances were not provided for audit review.

In the circumstances, the accuracy and fair statement of cash and cash equivalents balance of Kshs.1,171,724,523 could not be confirmed.

1.2. Other Income

The statement of financial performance reflects an amount of Kshs.113,466,226 in respect of other income. However, the amount was not supported with a corresponding note to the financial statements. Further, the schedule supporting the income was not provided for audit verification.

In the circumstances, the accuracy and completeness of other income amounting to Kshs.113,466,226 could not be confirmed.

2. Inaccuracies in the Financial Statements

The statement of financial performance reflects transfers from Judiciary Fund of Kshs.200,000,000 has been reported as a revenue receipt from non-exchange transactions and indicated as paid out to the scheme. Further, Notes 3 to 7 to the financial statements do not reflect headers for the comparative year balances.

In the circumstances, the financial statements were not prepared in accordance with the template prescribed by the Public Sector Accounting Standards Board and therefore the accuracy and completeness of the financial statements could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 for Conclusion

Lack of Enabling Legislation Establishing the Mortgage Scheme

As previously reported, review of information and documents provided for audit revealed that the Judiciary Mortgage Scheme did not have an enabling legislation establishing the Fund. Management did not provide a satisfactory explanation for the operationalization of the Fund without the enabling legislation.

In the circumstances, the legality of the Fund and its operations could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

The 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, the 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 revenue reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme 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 Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

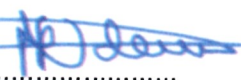
26 January, 2024


THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023


9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023.

Description	Note	FY2022-2023	FY2021-2022
		KShs.	KShs.
Revenue from non-exchange transactions			
Transfers from Judiciary Fund	2	200,000,000	-
Revenue from exchange transactions			
Interest income - Interest on bank balances	3	21,639,563	19,884,109
Other Income - 3% income on disbursed loans		113,466,226	-
Total revenue		335,105,789	19,884,109
Total Expenses-3% Commission to service provider	7	(113,466,226)	-
Transfer to the Scheme		(200,000,000)	
Surplus/Deficit after Tax		<u>21,639,563</u>	19,884,109

The financial statements were approved on2023 by


.....
Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary


.....
Hon. Moses Serem
Scheme Chairperson

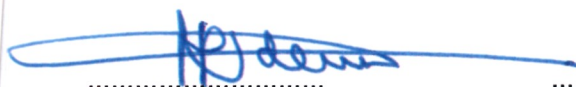

.....
CPA Domsiana Onyango
Scheme Accountant

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

Description	Note	FY2022-2023 KShs.	FY2021-2022 KShs.
Assets			
Current assets			
Cash and cash equivalents	4	<u>1,171,724,523</u>	<u>1,203,040,510</u>
Non-current assets			
Receivables from exchange transactions	5	<u>4,168,824,065</u>	<u>3,915,868,515</u>
Total assets		<u>5,340,548,588</u>	<u>5,118,909,025</u>
SCHEME BALANCE			
Mortgage revolving Scheme		5,118,909,025	4,827,024,916
Mortgage Revolving Scheme		200,000,000	272,000,000
Accumulated Surplus (Reserves)		21,639,563	19,884,109
Total net asset and liabilities		<u>5,340,548,588</u>	<u>5,118,909,025</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Scheme financial statements were approved on _____ 2023 and signed by:



Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary



Hon. Moses Serem
Scheme Chairperson



CPA Domsiana Onyango
Scheme Accountant

**11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE
2023.**

Description	Mortgage Scheme	Accumulated surplus	Total
	KShs.	KShs.	KShs.
FY 2021-2022			
As at 1 July 2021	4,638,705,818	188,319,097	4,827,024,915
Exchequer Transfer	272,000,000	-	272,000,000
Reserve	=	<u>19,884,109</u>	<u>19,884,109</u>
As at 30 June 2022	<u>4,910,705,818</u>	<u>208,203,207</u>	<u>5,118,909,025</u>
FY 2022-2023			
As at 1 July 2022	4,910,705,818	208,203,207	5,118,909,025
Exchequer Transfer	200,000,000	-	200,000,000
Reserve	=	<u>21,639,563</u>	<u>21,639,563</u>
As at 30 June 2023	<u>5,110,705,818</u>	<u>229,842,770</u>	<u>5,340,548,588</u>



.....
Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary



.....
Hon. Moses Serem
Scheme Chairperson





.....
CPA Domsiana Onyango
Scheme Accountant


THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

Description	Note	FY2022-2023	FY2021-2022
		KShs.	KShs.
Cash flows from operating activities			
Receipts			
Interest received	3	<u>21,639,563</u>	<u>19,884,109</u>
Total receipts		21,639,563	19,884,109
Net cash flow from operating activities	6	21,639,563	19,884,109
Cash flows from investing activities			
Proceeds from loan principal repayments		450,530,265	387,239,784
Loan disbursements paid out		<u>703,485,815</u>	<u>(935,042,226)</u>
Net cash flows used in investing activities		(252,955,550)	(547,802,442)
Cash flows from financing activities			
Receipts into the mortgage revolving Scheme	2	<u>200,000,000</u>	<u>272,000,000</u>
Net increase/(decrease) in cash and cash equivalents		(31,315,987)	(255,918,333)
Cash and cash equivalents at 1 July		1,203,040,510	1,458,958,842
Cash and cash equivalents at 30 June 2023		<u>1,171,724,523</u>	<u>1,203,040,510</u>


.....
Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary


.....
Hon. Moses Serem
Scheme Chairperson


.....
CPA Domsiana Onyango
Scheme Accountant

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	KShs. A	KShs. B	KShs. C=(a+b)	KShs. D	KShs. e=(c-d)	F=d/c
Revenue						
Transfers from other Parent Ministry/ SC/SAGA	200,000,000	-	200,000,000	200,000,000	-	100%
Interest income		-		21,639,563	-21,639,563	100%
Total Revenue	200,000,000	-	200,000,000	221,639,563	-21,639,563	100%
Transfers to Scheme Manager	200,000,000	=	200,000,000	200,000,000	-	0%
Surplus for the period	=	=	=	21,639,563	-(21,639,563)	100%

.....

Paul N. Maina, OGW, 'ndc' (K)

Deputy Chief Registrar of the Judiciary

.....

Hon. Moses Serem

Scheme Chairperson

.....

CPA Domsiana Onyango

Scheme Accountant

14. NOTES TO THE FINANCIAL STATEMENTS

i) General Information

The Judiciary Housing Scheme is established by and derives its authority and accountability from The Judicial Service Act. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme’s principal activity is giving loans to staff to help secure Mortgages.

ii) Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Judiciary Mortgage Scheme

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

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Standard	Effective date and impact:
	<p>amounts, timing and uncertainty of the Scheme's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Scheme 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>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Scheme;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Scheme's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme.</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><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued</p>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Standard	Effective date and impact:
	operations to be presented separately in the statement of financial performance.

ii. **Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in the year 2021/22.

14. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Scheme 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 for each period.

b. Budget information

The original budget for FY 2011/12 was approved on 1st July 2011. 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 Scheme upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under section 4 of these financial statements.

c. Financial instruments

1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans

And receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Scheme determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Scheme of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Scheme is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the Scheme that can be reliably estimated. Evidence of impairment may include the following indicators:

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

2) Financial liabilities

Initial recognition and measurement

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

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

d. Contingent liabilities

The Scheme 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.

e. Contingent assets

The Scheme 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 Scheme 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.

f. Nature and purpose of reserves

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

g. Changes in accounting policies and estimates

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

h. Related parties

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

i. 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.

j. Comparative figures

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

k. Events after the reporting period

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

l. Holding Scheme (PFM Act)

The Scheme is established under the JSC Act. Its ultimate parent is the Government of Kenya.

m. Currency

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

1. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Scheme'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.

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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur. (*see 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 is based on the assessment of experts employed by the Scheme

- i) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- ii) The nature of the processes in which the asset is deployed
- iii) Availability of Scheming to replace the asset
- iv) Changes in the market in relation to the asset

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS

2. Transfers from the Parent Ministry/SC/SAGA

Description	FY2022-2023	FY2021-2022
	KShs.	KShs.
Transfers from Judiciary Fund	<u>200,000,000</u>	=

The scheme is owned by the Judiciary and has separate bank account run by the Scheme managers hence there were no transfer of funds from the Judiciary to the Scheme.

3. Interest income

Total Interest Income from Bank balances	<u>21,639,563</u>	<u>19,884,109</u>
--	-------------------	-------------------

4. Cash and cash equivalents

KCB Moi Avenue Account No: 1131704169

NBK Harambee Avenue Account No. 01023033132700

NBK – Current Account	25,141,678	
KCB -Current Account		4,968,062
KCB - Fixed deposit account	<u>1,146,582,845</u>	<u>1,198,072,448</u>
Total Cash and Cash equivalents	<u>1,171,724,523</u>	<u>1,203,040,510</u>

5. Receivables from staff

KCB - Outstanding Loan Advances (long term)	3,533,651,733	3,915,868,515
KCB - Outstanding Loan Advances (short term)	433,576,067	
NBK-Outstanding Loan Advances (long term)	184,642,066	
NBK-Outstanding Loan Advances (Short term)	16,954,199	
	<u>4,168,824,065</u>	<u>3,915,868,515</u>

6. Net cash flows from operating activities

Surplus/ (deficit) for the year before tax	21,639,563	19,884,109
Adjusted for:		
Disbursements	-	-
Recoveries	-	
Net cash flow from operating activities	<u>21,639,563</u>	<u>19,884,109</u>

7. Total Expenses-3% Commission to service provider

Total expenses – 3% Commission charged by service provider.	<u>113,466,226</u>	<u>-</u>
---	---------------------------	----------

Other Disclosures

8. Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme'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 Scheme 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 Scheme's financial risk management objectives and policies are detailed below:

a) Credit risk

The Scheme 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, considering its financial position, past experience and other factors. Individual risk limits are set based on internal

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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 Scheme'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 Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	KShs.	KShs.	KShs.	KShs.
30 June 2023				
Receivables from Exchange Transactions- mortgages	4,168,824,065	4,168,824,065	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	<u>1,171,724,523</u>	<u>1,171,724,523</u>		
Total as at 30 June 2023	<u>5,340,548,588</u>	<u>5,340,548,588</u>		
30 June 2022				
Receivables from Exchange Transactions- mortgages	3,915,868,515	3,915,868,515	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	<u>1,203,040,510</u>	<u>1,203,040,510</u>		
Total as at 30 June 2022	<u>5,118,909,025</u>	<u>5,118,909,025</u>		

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 Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Scheme has no significant concentration of credit risk.

The board of trustees sets the Scheme'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 Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Scheme under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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 Scheme'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 Scheme's Committee is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

Other Disclosures Continued

d) Interest rate risk

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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

Management of interest rate risk

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

e) Capital risk management

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

Description	FY2022-2023	FY2021-2022
	KShs.	KShs.
Revolving Scheme	5,118,909,025	4,827,024,916
Accumulated surplus (<i>Reserves</i>)	21,639,563	19,884,109
Transfers in	<u>200,000,000</u>	<u>272,000,000</u>
Total Schemes	5,340,548,588	5,118,909,025
Less: cash and bank balances	<u>1,171,724,523</u>	<u>1,203,040,510</u>
Net debt/(excess cash and cash equivalents)	<u>4,168,824,065</u>	<u>3,915,868,515</u>
Gearing	78.0%	76.5%

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

PRIOR YEAR AUDIT RECOMMENDATIONS ON JUDICIARY MORTGAGE SCHEME.

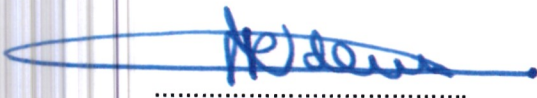
REF:	YEAR	ISSUE	RECOMMENDATIONS BY PAC	MANAGEMENT COMMENT	FOCAL PERSON TO RESOLVE	STATUS	TIMEFRAME
1.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Inaccuracies in the Financial Statements	Awaiting PAC Recommendations	The current Financial Statements for FY 2022/2023 has had the operating expenses figure included	Scheme Accountant	Resolved	-
2.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Undisclosed Interest on Mortgage Loans Disbursed	Awaiting PAC Recommendations	Interest income is derived from the bank statement on unutilized funds in the account. The same was disclosed in the financial statements and samples of amortization schedules provided.	Scheme Accountant	Unresolved	March 2024

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3.	FY 2011/2012, 2012/2013, 2013/2014 , 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Unsuppor ted Cash and Cash Equivalen t	Awaiting PAC Recommen dations	Bank reconciliations , certificate of fixed deposit account and cashbooks could not be extracted from the bank system that is in place.	Scheme Accountant	Unresolve d	March 2024
4.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021.	Late Submissi on of Financial Statement s	Awaiting PAC Recommen dations	Financial Statements are currently being submitted on the due dates.	Scheme Accountant	Resolved	-

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

5.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Lack of enabling Legislation Establishing the Mortgage Scheme.	Awaiting PAC Recommendations	The Document for Gazetting the Judiciary Mortgage Scheme is currently being worked on.	Scheme Accountant	Unresolved	March 2024
----	---	--	------------------------------	--	-------------------	------------	------------



.....
Paul N. Maina, OGW, 'ndc' (K)
Deputy Chief Registrar of the
Judiciary



.....
Hon. Moses Serem
Scheme Chairperson



.....
CPA Domsiana Onyango
Scheme Accountant

