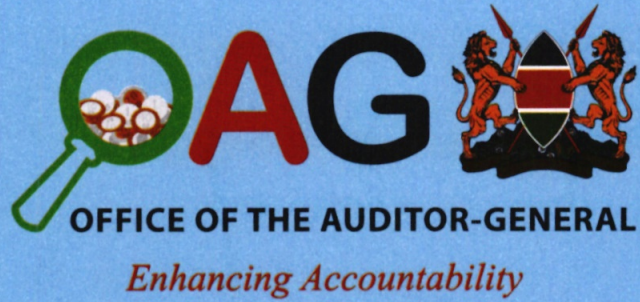


REPUBLIC OF KENYA



**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY GOVERNMENT OF MARSABIT  
MORTGAGE SCHEME FUND**

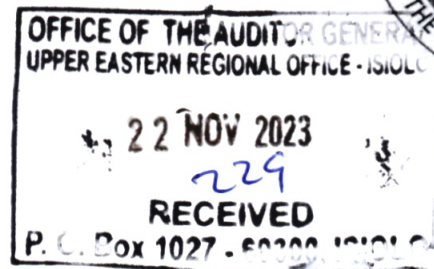
**FOR THE YEAR ENDED  
30 JUNE, 2023**

PAPERS LAID	
DATE	12/03/2024
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE
CLERK AT THE TABLE	CHEROP









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COUNTY GOVERNMENT OF MARSABIT  
MORTGAGE SCHEME FUND.

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

---

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



## County Government of Marsabit Mortgage Scheme Fund

### Annual Report and Financial Statements for the year ended June 30, 2023

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**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CPA	Certified Public Accountant
CECM	County Executive Committee Member
FY	Financial Year



## County Government of Marsabit Mortgage Scheme Fund

### Annual Reports and Financial Statements For the year ended June 30, 2023

#### 2. Key Entity Information and Management

#### 3. Background information

County Government of Marsabit Mortgage Fund is established by and derives its authority and accountability from Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015. The Fund is wholly owned by the County Government of Marsabit and is domiciled in Kenya.

The fund's objective is to provide house mortgage to members.

The Fund's principal activity is providing house mortgage to members.

#### 4. Principal Activities

The principal activity/mission/ mandate of the Fund is to provide house mortgage to members.

##### a) Fund Administration Committee

Ref	Position	Name
1	CEC Member – Finance and Economic Planning Department	MR. ADAN GUYO KANANO
2	Chief Officer	MR. ROBA QOTO
3	Chief Officer finance	MR. BORU DULACHA
4	Committee Member	MRS HILTER RIKOI
5	Fund Manager/ Administrator	CPA DABASSO BONAYA ADANO

##### b) Key Management

Ref	Position	Name
1	Chief Officer finance	MR. BORU DUBA DULACHA
2	Fund Manager/ Administrator	CPA DABASSO BONAYA ADANO
3	Fund Accountant	CPA HUSSEIN ROB BOYE



**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**c) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	CEC Member – Finance and Economic Planning Department	MR. ADAN GUYO KANANO
2	Chief Officer - Administration	MR. ROBA QOTO
3	Chief Officer – Finance	MR. BORU DUBA DULACHA
4	Chief Officer – Roads	MR. HITLER RIKOI
5	Fund Manager/ Administrator	CPA DABASSO BONAYA ADANO
6	C.E.O CPSB	GALGALLO MUSE GANALE
7	Fund Accountant	CPA HUSSEIN ROB BOYE

**d) Registered Offices**

P.O. Box 384-60500  
Marsabit County Headquarter Building  
Treasury Office  
Marsabit, KENYA

**e) Fund Contacts**

Telephone: (254) 724821768  
E-mail: [adanoadabasso@gmail.com](mailto:adanoadabasso@gmail.com)  
Website: [www.marsabit.go.ke](http://www.marsabit.go.ke)

**f) Fund Bankers**

Marsabit County Mortgage Scheme Fund  
BANK: Equity Bank  
Branch: Marsabit  
Account No. 1010268149700

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**Key Entity and Management (Continued)**

**g) Independent Auditors**

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

**h) Principal Legal Adviser**

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



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**3. THE FUND ADMINISTRATION COMMITTEE**

<b>Name</b>	<b>Details of qualifications and experience</b>
1. MR. ADAN GUYO KANANO	CEC – Finance and Economic Planning
2. MR. BORU DULACHA	Chief Officer Finance
3. MR. ROBA QOTO	Chief Officer Administration
4. MRS. ANNAMARIA QALLA DENGE	Committee Member
5. CPA SIMON SIBILET KHOBES	Fund Manager/ Administrator

County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Mr. Adan Guyo Kanano	Date of Birth: 1968 Key academic Qualifications MBA (strategic management), MA-Economics, MBA Finance Accounting, BCOM Work Experience: CEC Member Finance and Economic Planning – Marsabit County CEC Member Water
2. Mr. Boru Duba Dulacha	Date of Birth: <b>18.04.1972</b> Key academic Qualifications: Bachelor of Commerce Work Experience: Chief Officer Finance – Marsabit County
3. CPA Dabasso Bonaya Adano	Date of Birth: 06.04. 1984 Key academic Qualifications: MSC-Finance, CPA(K), BCOM –Finance. Work Experience: Director Finance – Marsabit County. Director – Accounting Services, Marsabit County.
4. CPA Paul Owaga	Date of Birth: 16.06.1982 Key academic Qualifications: BCOM-Finance, CPA(K). Work Experience: Director – Accounting Services, Marsabit County Deputy Director – Accounting Services, Marsabit County

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

The Mortgage fund has over the years made remarkable progress in its core business of generating and disbursing of funds to its members, through prudent financial management.

During the year under review, the Fund did not issue new loans since all the beneficiaries has mortgage loans running.

The Fund strives to build on its success legacy, through good governance, to provide housing solutions to its members, in a conducive environment that provides favourable progress and experiences.

**Funding by the County Government of Marsabit.**

The fund is running on a capital base of Kshs. **121,000,000** given earlier from the county government.

This was a great support; without which we could not have realized the great milestones achieved. Nine beneficiaries completed servicing their loans.

The year under review was however a challenging period for the fund. Various factors affected our operating environment adversely and overshadowed the planned developments in our business due to the effects of transition and changes in the political environment which hampered repayment ability of some of our members.

**Key activities during the financial year under review**

The following are the key activities that took place during the **FY 2022/2023**

- |      |   |                     |
|------|---|---------------------|
| I.   | The fund recovered loan principal amounting Kshs. | <b>5,748,283.40</b> |
| II.  | The fund generated Interest income of Kshs.       | <b>872,979.78</b>   |
| III. | The overall surplus amounted to Kshs.             | <b>571,419.78</b>   |

**Key Challenges**

The following are the main challenges faced by the Mortgage Fund Scheme during the year under review:

- i. Delay in Appointment of CECM and Chief officers.
- ii. Changes in financial, social and technological environments which affect the Mortgage Fund Scheme in general, with capital requirements.



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**6. Report of The Fund Administrator**

The fund is fairly small operating on the initial capital from the county government and below were the key deliverables.

I.	The fund recovered loan principal amounting Kshs.	<b>5,748,283.40</b>
II.	The fund generated Interest income of Kshs.	<b>872,979.78</b>
III.	The overall surplus amounted to Kshs.	<b>571,419.78</b>

**Future outlook**

The Mortgage Fund Scheme intends to formulate a Strategic Plan, clearly stipulates the aspirations of the Fund in the realization of Kenya Vision 2030 and the Big Four Agenda. Implementation of the Strategic Plan will see the Fund achieve: financial stability, long term sustainability, enhanced infrastructure, governance, partnerships and increased collaborations.

**Appreciation**

I wish to express my sincere appreciation to the County Government of Marsabit through the Finance Department, for the support accorded to the Fund during the year under review.

Signed: .....  .....

**CPA Dabasso Bonaya Adano**

**Fund Administrator**

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports 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 Fund strives to build on its success legacy, through good governance, to provide housing solutions to its members, in a conducive environment that provides favourable progress and experiences.

**Funding by the County Government of Marsabit.**

The fund is running on a capital base of Kshs. **121,000,000** given earlier from the county government.

This was a great support; without which we could not have realized the great milestones achieved. Nine beneficiaries completed servicing their loans.

**Progress on attainment of Strategic development objectives**

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Provision of Mortgage facilities to all members of staff</b>	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied	% of staff taking Mortgage facilities	<b>During FY ,2023, four Members of staff accessed the facility and were able build their own houses</b>

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**8. Corporate Governance Statement**

**(i) Roles and functions**

The Mortgage Fund Administration Committee is at the centre of good governance practice, for protection of long-term interests of all the stakeholders of the Mortgage Fund. The Fund Administration Committee provides leadership, oversight to management, integrity and good judgment in directing Mortgage Fund operations in the best interest of the stakeholders for continued viability and sustainability. The Mortgage Fund Administration Committee is vested with powers and authority by relevant laws of Kenya, to discharge its mandate, and to effectively fulfil its corporate governance responsibility towards stakeholders. The Mortgage Fund Administration Committee ensures adoption of corporate governance best practices in support of the Mortgage Fund vision and to provide world-class services that delight customers, create value for money and meet stakeholders' expectations.

**(ii) Appointment**

The Fund Administration Committee served at the Mortgage Fund during the year under review was appointed by the PFM Mortgage Regulations, 2015.

**(iii) Induction and capacity building for Fund Administration Committee members**

Members of the Fund Administration Committee regularly attend trainings on corporate governance and other relevant fields, to equip them with the knowledge that is required to effectively discharge their responsibilities.

**(iv) Succession planning of the Mortgage Fund Administration Committee**

Mortgage Fund Administration Committee has reliable mechanisms for developing skills of the Fund Administration Committee members, to ensure seamless continuity of the Mortgage Fund business in the event some members leave the Mortgage Fund. All members are prepared to assume different roles, to make them effective in various positions. Mortgage Fund Mortgage Fund business through committees. As part of succession planning, Fund Administration Committee members are assigned more than one committee, to expose them to various operations of the Mortgage Fund.

**(v) Meetings of the Mortgage Fund Administration Committee**

Dates for Mortgage Fund Administration Committee meetings in the ensuing year are decided in advance and scheduled in an annual work plan. The Fund Administration Committee holds its regular meetings on



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**9. Management Discussion and Analysis**

**a) Funding from the County Government of Marsabit**

The main source of Mortgage Fund revenues is the grants that comes from the County Government of Marsabit, in form of additional capital. To supplement the grants, the Mortgage Fund also generates revenues internally, from sources such as interest on loans advanced. During the FY **2022/2023**, the Mortgage Fund received a total of KES **872,979.78** interest income and no additional funding from the County Government of Marsabit.

**b) Expenses for the year**

Expenditure for the year decreased from KES **1,034,360** to KES **301,560**

## 10. Environmental and Sustainability Reporting

County government of Marsabit Mortgage Fund Scheme 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 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

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

### 2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

### 3. Employee welfare

Give account of the policies guiding the hiring process and whether they consider the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

### 4. Market place practices

The organisation should outline its efforts to:

#### a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

#### b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

#### c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

#### d) Product stewardship

Outline efforts to safeguard consumer rights and interests

### 5. Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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.

**10.1 Principal activities**

The principal activities of the Fund are creating a revolving fund, provide housing loans and manage the loan account of members.

**10.2 Performance**

The performance of the Fund for the year ended June 30, 2023, are set out on page 20 to 57

**10.3 Trustees**

The members of the Fund Administration Committee who served during the year are shown on page two (2). There were no changes in the Fund Administration Committee during the financial year.

**10.4 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.

Name: Mr. Adan Guyo Kanano

**CEC - Member Finance and Economic Planning**

Date: 



**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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 Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015 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 Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015. 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 on \_\_\_28<sup>th</sup> Sept \_\_\_ 2023 and signed;

Signature;



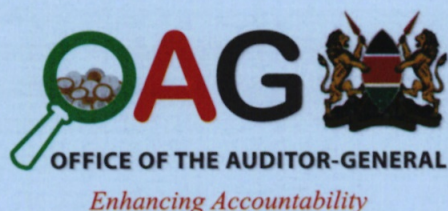
**Name:** MR. Adan Guyo Kanano

**CEC - Member Finance and Economic Planning**



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF MARSABIT MORTGAGE SCHEME 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and 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 County Government of Marsabit Mortgage Scheme Fund set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance,

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*Report of the Auditor-General on County Government of Marsabit Mortgage Scheme Fund for the year ended 30 June, 2023*



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 County Government of Marsabit Mortgage Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015.

## **Basis for Qualified Opinion**

### **1.0 Unexplained Variance Between Ledger and Financial Statements Balances**

The statement of financial position and as disclosed in Note 11 to the financial statements reflect Kshs.7,410,889 in respect of current portion of long-term receivables from exchange transactions. However, the respective ledger shows Kshs.7,533,743 resulting to unreconciled variance of Kshs.122,854.

In the circumstance, the accuracy and completeness of the current portion of long-term receivables from exchange transactions balance of Kshs.7,410,889 could not be confirmed.

### **2.0 Unsupported Adjustment for Receivables**

The statement of cash flows for the year ended 30 June, 2023 reflects an adjustment of Kshs.2,726,678 in respect of increase in receivables. However, the statement of financial position reflects a net increase in receivables of Kshs.41,285,039 resulting to an unreconciled variance of Kshs.38,558,361.

In the circumstance, the accuracy and completeness of the adjustment for receivables of Kshs.2,726,678 in the statement of cash flows could not be confirmed.

### **3.0 Long Outstanding Mortgage Loans**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects Kshs.124,752,524 in respect of receivables from exchange transactions. Included in this amount is a balance of Kshs.23,982,400 relating to outstanding mortgage loans held by sixteen (16) members of the Scheme whose mortgage have not been serviced for periods ranging between four (4) and sixty (60) months. However, Management had not issued demand letters or instituted legal measures to recover the debt contrary to Regulation 18 of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that the committee



may call in a mortgage and in case of default, sell the charged property by public auction or private treaty where the loanee is in breach of the terms under the mortgage agreement or the covenant contained in the charge of the mortgage instrument.

In the circumstances, the accuracy and recoverability of the outstanding mortgage loans totalling Kshs.23,982,400 could not be confirmed.

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

### **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**

#### **Prior Year Unresolved Audit Matters**

The prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year audit issues.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Failure to Charge Titles of Mortgaged Properties**

The statement of financial position and Note 11 to the financial statements reflects receivables from exchange transactions totalling Kshs.124,752,524 as mortgage loans advanced to members. However, no evidence of charging of title deeds to the properties financed through the mortgage was provided for audit review, contrary to Regulation 16(1) of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that, the committee shall have a charge



registered on the property financed through a mortgage granted under these regulations and shall be entitled to have its name entered in all documents of title for such property.

Further, Management did not maintain the original documents of the architectural designs and progress inspection reports on status of the properties contrary to Regulation 17(2) of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that the originals of all documents relating to property financed by a mortgage from the Fund shall be kept in safe custody by the officer administering the Fund.

In the circumstances, Management was in breach of the law and the Fund is exposed to risk of non-performing loans and bad debts.

## **2.0 Non-Remittance of Mortgage Deductions**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects Kshs.124,752,524 in respect of receivables from exchange transactions. Included in this amount were deductions totaling Kshs.1,999,724 recovered from the salaries of the mortgage scheme members as loan deductions for the months of April, May and June 2023 and which the County Executive of Marsabit was yet to remit to the Fund contrary to Section 19(4) of Employment Act Cap 226 which states that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

Further, included in the receivables was Kshs.40,000,000 advanced on 26 January, 2023 as mortgage loan to a senior officer of the County, repayable within the five-year term of the state officer service and attracting monthly deduction of Kshs.314,000, being the maximum chargeable from the officer's pay slip. However, no monthly loan deductions were made from the officer's salary and remitted to the Fund for the months of February to the year end on June 2023, resulting to unrecovered loan deductions amounting to Kshs.1,570,000. In addition, information available indicates that although monthly deductions were started in August 2023, the officer will leave the public service on 06 August, 2027 which is 48 months from the commencement of the deduction and therefore could only have repaid Kshs.15,072,000 out of the Kshs.40,000,000 loan, leaving an outstanding loan balance of Kshs.24,928,000 and the attendant interest chargeable as potential bad debt.

It is evident that even though the officer was entitled to the loan in accordance to the maximum allowable for the grade, his salary could not accommodate the monthly deduction enough to clear the obligation within the service of his contract, but did not give prior guarantee to do so contrary to Section 13(2) of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that a member of the scheme benefiting from the advisory in the SRC Circular dated 17 December, 2014 shall be required to give prior guarantee in writing of personal commitment to continue servicing the outstanding net mortgage uninterrupted from personal sources after the expiry of the current contract.



In the circumstances, Management was in breach of the law and the recoverability of the loan from the officer was doubtful.

### **3.0 Lack of Mortgage Protection Policy**

The statement of financial position and as disclosed in Note 11 to the financial statements reflects Kshs.124,752,524 being the mortgage loans to members. However, review of the loan files revealed that none of the beneficiaries had taken out and maintained mortgage protection and fire policies contrary to Regulation 17(1) of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that a loanee shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the committee, the cost of which shall be paid by cash or out of the fund and debited in the loanee's account.

In the circumstances, Management was in breach of law and the Fund is at a risk of loss of public funds in case of fire or accident to the mortgaged property.

### **4.0 Incorrect Fund's Name**

The financial statements refer the Fund as County Government of Marsabit Mortgage Scheme Fund instead of Marsabit County State Officers and other Public Officers Mortgage Scheme Fund contrary to Regulation 3 of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that there is established a Fund to be known as the County State Officers and Other Public Officers Mortgage Scheme Fund.

Under the Key Entity Information and Management section of the financial statements, the Fund regulations are wrongly referred to as Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015 instead of the official name as Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 contrary to Regulation 1 of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which provides that these regulations may be cited as the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions 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 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 Fund Administration Committee**

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 control, risk management and overall governance.

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

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

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

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

Because of its inherent limitations, internal 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 Fund's policies and procedures may deteriorate.

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

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

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

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

  
 FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 February, 2024



**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

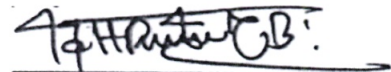
	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1		
Transfers from the County Government	2		
Fines, penalties and other levies	3		
<b>Revenue from exchange transactions</b>			
Interest income	4	872,979.78	1,134,893.16
Other income	5		
		<b>872,979.78</b>	<b>1,134,893.16</b>
<b>Total revenue</b>		<b>872,979.78</b>	<b>1,134,893.16</b>
<b>Expenses</b>			
Fund administration expenses	6		
General expenses	7	301,560.00	1,034,360.00
Finance costs	8		
<b>Total expenses</b>		<b>301,560.00</b>	<b>1,034,360.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9		
<b>Surplus/(deficit) for the period</b>		<b>571,419.78</b>	<b>100,533.16</b>

The notes set out on pages 19 to 28 form an integral part of these Financial Statements.



**CPA DABASSO BONAYA ADANAO**

Fund - Administrator



**CPA. BOYE HUSSEIN ROB**

Fund Accountant

ICPAK Member Number: 29375

County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

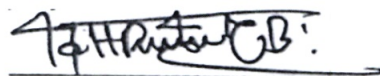
	Note	2022/2023	2021/2022
Assets		Kshs	Kshs
<b>Current assets</b>			
Cash and cash equivalents	10	871,511	1,585,130.35
Current portion of long- term receivables from exchange transactions	11	7,410,889	152,012.00
Receivables from Non- exchange transactions	11		10,390,222.70
Prepayments	13		
Inventories	14		
		<b>8,282,399</b>	<b>12,127,365.05</b>
<b>Non-current assets</b>			
Long term receivables from exchange transactions	11	117,341,635	72,925,249.95
Property, plant and equipment	15		
Intangible assets	16		
<b>Total assets</b>		<b>125,624,035</b>	<b>85,052,615</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17		
Provisions	18		
Current portion of borrowings	19		
Employee benefit obligations	20		
<b>Non-current liabilities</b>			
Long term portion of borrowings	19		
Non-current employee benefit obligation	20		
<b>Total liabilities</b>			
<b>Net assets</b>		<b>125,624,035</b>	<b>85,052,615.00</b>
Revolving Fund		<b>121,000,000</b>	81,000,000.00
Reserves			
Accumulated surplus		<b>4,624,035</b>	4,052,615.00
<b>Total net assets and liabilities</b>		<b>125,624,035</b>	<b>85,052,615.00</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 28<sup>th</sup> Sept 2023:



CPA DABASSO BONAYA ADANAO

Fund - Administrator



CPA. BOYE HUSSEIN ROB

Fund Accountant

ICPAK Member Number:29375

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance as at 1 July 2021</b>	<b>81,000,000</b>		<b>3,952,082</b>	<b>84,952,082</b>
Surplus/(deficit) for the period		-	100,533	100,533
Funds received during the year		-	-	-
Revaluation gain	-		-	-
<b>Balance as at 30 June 2022</b>	<b>81,000,000</b>		<b>4,052,615</b>	<b>85,052,615</b>
<b>Balance as at 1 July 2022</b>	<b>81,000,000</b>		<b>4,052,615</b>	<b>85,052,615</b>
Surplus/(deficit) for the period		-	571,420	<b>571,420</b>
Funds received during the year	40,000,000	-	-	<b>40,000,000</b>
Revaluation gain	-		-	-
<b>Balance as at 30 June 2023</b>	<b>121,000,000</b>		<b>4,624,035</b>	<b>125,624,035</b>



County Government of Marsabit Mortgage Scheme Fund  
Annual Reports and Financial Statements For the year ended June 30, 2023

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

	Note	2022/2023	2021/2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	4	872,980	1,134,893.16
<b>Total Receipts</b>		<b>872,980</b>	<b>1,134,893.16</b>
<b>Payments</b>			
Fund administration expenses			
General expenses	7	301,560	1,034,360.00
Finance cost			1,034,360.00
<b>Total Payments</b>		<b>301,560</b>	
<b>Cash flows from operating activities</b>		<b>571,420</b>	<b>100,533.16</b>
<b>Adjusted for</b>			
Receivables from Non- exchange transactions	11	2,726,678.00	-6,165,346.7
Long term receivables from exchange transactions	11		4,238,380.1
<b>Net cash flows from operating activities</b>		<b>3,298,098</b>	<b>-1,826,433.44</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		5,748,283	
Loan disbursements paid out		49,760,000	
<b>Net cash flows used in investing activities</b>		<b>(44,011,717)</b>	
<b>Cash flows from financing activities</b>			
Transfers from the County Government		40,000,000	
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>		<b>40,000,000</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>713,619</b>	<b>(1,826,433.65)</b>
Cash and cash equivalents at 1 July 22	10	1,585,130	3,411,564.00
<b>Cash and cash equivalents at 30 June 23</b>	10	<b>871,511.22</b>	<b>1,585,130.35</b>



**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2023.**

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilization
	2023	2023	2023	2023	2023
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Public contributions and donations					
Transfers from County Govt.					
Interest income	872,979.78		872,979.78	872,979.78	100%
Other income					
<b>Total income</b>	<b>872,979.78</b>		<b>872,979.78</b>	<b>872,979.78</b>	
<b>Expenses</b>					
Fund administration expenses					
General expenses	872,979.78		872,979.78	301,560.00	35%
Finance cost					
<b>Total expenditure</b>	<b>872,979.78</b>		<b>872,979.78</b>	<b>301,560.00</b>	
<b>Surplus for the period</b>				<b>571,419.78</b>	

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**19. Notes to the Financial Statements**

**1. General Information**

County Government of Marsabit Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance (Marsabit County state officers and other public officers mortgage scheme fund) Regulations, 2015. The entity is wholly owned by the Marsabit County Government and is domiciled in Kenya. The entity's principal activity is.

**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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

Standard	Effective date and impact
	<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> <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> </ul>

County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

Standard	Effective date and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</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>Applicable 1<sup>st</sup> January 2025</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</p>



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

Standard	Effective date and impact:
	<p>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> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in 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.)*

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**1. Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**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 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 Kshs. 40,000,000 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.



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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 42 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.

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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.



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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 in *Note*.

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**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.



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

***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.

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

*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.



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

***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.

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)*

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**6. Notes to The Financial Statements**

**1. Public contributions and donations**

Description	2022/2023	2021/2022
	Kshs	Kshs
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	2021/2022
	Kshs	Kshs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		
<b>Total</b>		

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Late payment penalties		
Fines		
Levies		
Licences		
<b>Total</b>		

(Provide brief explanation for this revenue)

**4. Interest income**

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest income from Mortgage loans	872,979.78	1,134,893.16
Interest income from investments		
Interest income on bank deposits		
<b>Total interest income</b>	<b>872,979.78</b>	<b>1,134,893.16</b>

(Provide brief explanation for this revenue)



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2022/2023	2021/2022
	Kshs	Kshs
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income (specify)		
<b>Total other income</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).

6. Fund administration expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Staff costs (Note 6a)		
Loan processing costs		
Professional services costs		
Administration fees		
<b>Total</b>		

6A. Staff costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
<b>Total</b>		

*N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.*

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. General expenses**

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Other expenses	301,560.00	1,034,360.00
Hospitality		
Depreciation and amortization costs		
Other expenses		
<b>Total</b>	<b>301,560.00</b>	<b>1,034,360.00</b>

**8. Finance costs**

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on Bank overdrafts		
Interest on loans from banks		
<b>Total</b>		

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

<b>Description</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Property, plant and equipment		
Intangible assets		
<b>Total</b>		



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
County mortgage account	871,511.22	1,585,130.35
Fixed deposits account		
On – call deposits		
Current account		
Others		
<b>Total cash and cash equivalents</b>	<b>871,511.22</b>	<b>1,585,130.35</b>

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Equity Bank, etc.	1010268149700	871,511.22	1,585,130.35
<b>Sub- total</b>		<b>871,511.22</b>	<b>1,585,130.35</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank			
Equity Bank - etc.			
<b>Sub- total</b>			
<b>c) Current account</b>			
Kenya Commercial bank			
Bank B			
<b>Sub- total</b>			
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
Mobile Money			
<b>Sub- total</b>			
<b>Grand total</b>		<b>871,511.22</b>	<b>1,585,130.35</b>

County Government of Marsabit Mortgage Scheme Fund  
Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due	7,410,889	152,012
Other exchange debtors		10,390,223
Less: impairment allowance		
<b>Total Current receivables</b>	<b>7,410,889</b>	<b>10,542,235</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	117,341,635	72,925,250
<b>Total Non- current receivables</b>	<b>117,341,635</b>	<b>72,925,250</b>
<b>Total receivables from exchange transactions</b>	<b>124,752,524</b>	<b>83,467,485</b>

Additional disclosure on interest receivable

Description	2022/2023	2021/2022
	Kshs	Kshs
<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		



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfer from County Executive		
Receivables from transactions		
<b>Total receivables from non-exchange transactions</b>		

13. Prepayments

Description	2022/2023	2021/2022
	Kshs	Kshs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(specify)		
<b>Total</b>		

14. Inventories

Description	2022/2023	2021/2022
	Kshs	Kshs
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
<b>Total inventories at the lower of cost and net realizable value</b>		

County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 <sup>st</sup> July 2020					
Additions				-	
Disposals					
Transfers/adjustments					
At 30 <sup>th</sup> June 2021					
At 1 <sup>st</sup> July 2021					
Additions					
Disposals					
Transfer/adjustments					
At 30 <sup>th</sup> June 2022					
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2020					
Depreciation					
Impairment					
At 30 <sup>th</sup> June 2021					
At 1 <sup>st</sup> July 2021					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30 <sup>th</sup> June 2022					
<b>Net book values</b>					
At 30 <sup>th</sup> June 2022					
At 30 <sup>th</sup> June 2023					



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2022/2023	2021/2022
	Kshs	Kshs
<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>		

17. Trade and other payables from exchange transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables		
<b>Total trade and other payables</b>		

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year (1.07.2020)				
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 (30.06.2021)</b>				

County Government of Marsabit Mortgage Scheme Fund  
Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2022/2023	2021/2022
	Kshs	Kshs
<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:

	2022/2023	2021/2022
	Kshs	Kshs
<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:

Description	2022/2023	2021/2022
	Kshs	Kshs
Short term borrowings (current portion)		
Long term borrowings		
<b>Total</b>		

(NB: the total of this statement should tie to note 18 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)



County Government of Marsabit Mortgage Scheme Fund

Annual Reports and Financial Statements For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Current benefit obligation				
Non-current benefit obligation				
<b>Total employee benefits obligation</b>				

21. Cash generated from operations

	2022/2023	2021/2022
	Kshs	Kshs
<b>Surplus/ (deficit) for the year before tax</b>		992,270
<b>Adjusted for:</b>		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income	872,979.78	(1,134,893.16)
Finance cost		1,034,360.00
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		(23,031,535)
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)*

22. 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:

**County Government of Marsabit Mortgage Scheme Fund**  
**Annual Reports and Financial Statements For the year ended June 30, 2023**

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

**b) Related party transactions**

	2022/2023	2021/2022
	Kshs	Kshs
Transfers from related parties'		
Transfers to related parties		

**c) Key management remuneration**

	2022/2023	2021/2022
	Kshs	Kshs
Board of Trustees		
Key Management Compensation		
<b>Total</b>		

**d) Due from related parties**

	2022/2023	2021/2022
	Kshs	Kshs
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
<b>Total</b>		

**e) Due to related parties**

	2022/2023	2021/2022
	Kshs	Kshs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Due to County Assembly		



**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

<b>Total</b>		
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**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Court case against the Fund		
Bank guarantees		
<b>Total</b>		

**County Government of Marsabit Mortgage Scheme Fund**

**Annual Reports and Financial Statements For the year ended June 30, 2023**

**(n) PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Paragraph 1	Budgetary control and performance	Future considerations to be made in the budget making process	Resolved	N/A
Paragraph 2	Unremitted Loan recoveries	County planning to disburse in near Future	Not yet Resolved	N/A
Paragraph 3	Long term receivables due	Efforts being made to recover the loans given.	Not Resolved	When County Assembly announce the sittings
Paragraph 4	Failure to charge the title deeds	Efforts being made to charge Title deeds	Not yet resolved	N/A

**Guidance Notes:**

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



**Fund Administrator;** Dabasso Bonaya Adano

**Date**.....28<sup>th</sup> September 2023.....



**County Government of Marsabit Mortgage Scheme Fund  
Annual Reports and Financial Statements For the year ended June 30, 2023**

**20. APPENDIX I: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the County Executive of County Government				
FY 2021/2022				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount</u> (Kshs)	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount</u> (Kshs)	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount</u> (Kshs)	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		

The above amounts have been communicated to and reconciled with the parent Ministry.



**CPA DABASSO BONAYA ADANAO**

Fund - Administrator