

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

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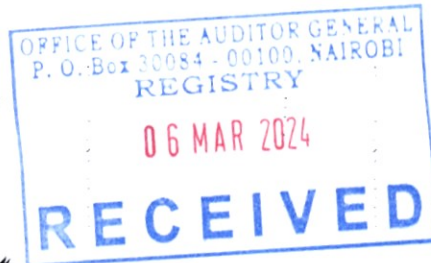
THE AUDITOR-GENERAL

ON

**PRIVATIZATION COMMISSION MORTGAGE
AND CAR LOAN SCHEME FUND**

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





PRIVATIZATION COMMISSION

Enhancing Kenya's Productive Capacity

PRIVATIZATION COMMISSION

MORTGAGE AND CAR LOAN SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

ED/CEO	Executive Director/CEO
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Privatization Commission Mortgage Scheme is established by and derives its authority and accountability from Privatization Act 2005 and SRC Circular No. SRC/ADM/CIR/1/13/VOL/III dated 17th December 2014. The staff mortgage car loan & mortgage scheme fund is wholly owned by the Commission and is domiciled in Kenya.

b) Principal Activities

The Fund's principal activity is to facilitate staff of the Commission to purchase residential houses and motor vehicles at low interest rates

c) Key Management

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

The scheme fund's committee members who served during the financial year (FY) ended 30th June 2023 and who had direct fiduciary responsibility were;

- i. Irene Kamunge- Corporation Secretary & Director legal services
- ii. Charles Ochola- Transaction Manager
- iii. Sylvester Kamau- Manager Supply Chain Management
- iv. Raphael Ogweno – Principal Accountant
- v. Faith Rob- Principal Transaction Officer
- vi. Caroline Kittur- Manager Human resource and Admin (secretariat)

d) Fiduciary Oversight Arrangements

The Executive Director/CEO is the fund administrator while the Human Resource and Administration Department is the Secretariat responsible for the day-to-day operations.

e) Privatization Commission Office

P O Box 34542 - 00100
10th Floor, Social Security House – Annex
Bishops Road
Nairobi, KENYA

f) Privatization Commission Contacts

Telephone: +254 20 869 6800
Email: info@pc.go.ke
Website: www.pc.go.ke

g) Fund Bankers

HFC Ltd.
Gill House
Tom Mboya Street
NAIROBI, KENYA

h) Independent Auditors

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


i) Principal Legal Adviser

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

3. SCHEME MANAGEMENT COMMITTEE

NAME OF STAFF	RESPONSIBILITY
<p>Mr. Joseph Koskey</p>  <p>Joseph holds a Master of Business Administration (Strategic Management) and a Bachelor of Commerce (Accounting) degrees from the University of Nairobi. He is PhD candidate at the same University. He is a member of the Institutes of Certified Public Accountants of Kenya (ICPAK), Certified Secretaries of Kenya (ICSK), Certified Investment and Financial Analysts (ICIFA) and the Institute of Directors Kenya (IODK). He is also a certified trainer on corporate governance and a Certified governance Auditor.</p>	<p>Executive Director/CEO</p>
<p>Ms. Irene Kamunge</p>  <p>Irene holds a Master of Laws (LL.M) degree and a Bachelor of Laws (LL.B) degree from the University of Nairobi. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary.</p>	<p>Corporation Secretary and Director Legal Services</p>
<p>Charles Ochola</p>  <p>Charles holds a Master of Business Administration degree (Finance Option) from the University of Nairobi and a Bachelor of Arts degree in Economics from Kenyatta University. He is a practicing member of Institute of Certified Investment and Financial Analysts (ICIFA) and the Institute of Directors (IOD-Kenya).</p>	<p>Transactions Manager</p>

NAME OF STAFF	RESPONSIBILITY
<p>Caroline Kittur</p>  <p>Caroline has a Master of Business Administration degree in (Strategic Management) and a Bachelor of Arts degree in Sociology from Moi University; a Higher National Diploma in Human Resources Management from the Institute of Human Resource Management (IHRM); and an Executive Diploma in Industrial Relations from the United States International University – Africa (USIU-A). She is a practicing member of IHRM and a Certified Conflict Mediator.</p>	<p>Manager, Resource Administration</p> <p>Human and</p>
<p>Mr. Sylvester Kamau</p>  <p>Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from the JKUAT and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also has a Bachelor of Arts degree in Government and Public Administration from Moi University. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p>Manager, Supply Chain Management.</p>
<p>Raphael Ogweno:</p>  <p>Raphael holds a Master of Business Administration (Finance) from the University of Nairobi and Bachelor of Business Management (Finance & Banking) degree from Moi University. He is a Certified Public Accountant CPA (K) and a member of ICPAK.</p>	<p>Principal Accountant</p>

NAME OF STAFF	RESPONSIBILITY
<p>Faith Rob</p>  <p>Faith holds a Master of Strategic Management from Catholic University of Eastern Africa University and a Bachelor of Business Administration, (Accounting) degree from University of Eastern Africa Baraton. She is a registered member of Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Certified Investment and Financial Analyst (ICIFA).</p>	<p>Principal Officer Transaction</p>

4. REPORT OF THE FUND ADMINISTRATOR (EXECUTIVE DIRECTOR/CEO)

In 2018, the Board established a Staff Mortgage and Car Loan Scheme fund for Privatization Commission staff. A Committee was appointed whose objective is to coordinate and engage with the housing Finance Corporation of Kenya in the management of the scheme fund on behalf of Privatization Commission.

A contract was signed by the Privatization Commission and HFC Limited in April 2018 with an initial fund of KShs. 80,000,000 and in the FY 2022/2023 FY KShs. 12,150,667 was added to the scheme. At the close of the period, the fund had received a total of Kshs. 92,150,667. Since inception the scheme has supported eight members of staff and loans worth kshs.70,779,000 have been disbursed.

The operations and financial responsibilities are overseen by the Executive Director/CEO who is the accounting officer. The operations are guided by the scheme rules subject to the approved annual budget.

The scheme fund's administrator hereby submits annual report for the year ended 30th June 2023 which shows the state of the scheme fund's affairs.



Joseph Koskey
Executive Director/CEO

5. CORPORATE GOVERNANCE STATEMENT

The Staff Mortgage and Car Loan Scheme Fund is guided by the contract between the Commission and HFC Limited. This agreement is anchored on the SRC Circular No. Circular No. SRC/ADM/CIR/1/13/VOL/III dated 17th December 2014, the PFM Act, 2012 and Privatization Commission's Human Resource Policy and Procedures Manual.

In addition, it operates using the Privatization Commission Staff House Mortgage and Car Loan Scheme Policies and Procedures that outlines the object and purpose of the Scheme as:

- a) To provide house mortgage and car loan facilities to Commission Officers to purchase and/or to develop houses and to buy motor car as prescribed in these Rules; and
- b) To cater for administrative expenses of the Scheme.

Scheme Management Committee

The scheme is managed through a Management Committee appointed on an annual basis. The Committee's responsibilities include:

- i) To ensure smooth implementation of the PC staff Car and Mortgage scheme;
- ii) To recommend procurement of a financial institution/bank to administer the agreed scheme activities on its behalf;
- iii) Oversee the management of the Scheme;
- iv) Monitor and evaluate the performance of the Scheme;
- v) Liaise with the financial institution/bank to set up an account for the disbursement of the loans;
- vi) Prepare estimates of revenue and expenditure for consideration and approval by the Commission Board;
- vii) Approve investment of any surplus funds, not immediately required in line with guidelines issued by the National Treasury from time to time;
- viii) Cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities of the Scheme;
- ix) Receive any gifts, donations, grants or endowments made to the Scheme;
- x) Consider and approve financial statements of the Scheme;
- xi) Perform any other functions that are ancillary to the objects and purpose for which the Scheme is established: and
- xii) Determine its own procedures for conducting its business.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and financial performance

As at the close of the FY 2022/23 the scheme funds financial position was Kshs. 109,312,869. During the year the fund received an additional amount of Kshs 12,150,667 from the Commission.

During the year, the Scheme received interest income of KShs 3,152,599 and incurred expenditure of KShs 2,136,675 to manage the fund resulting in a surplus of KShs 1,015,924.

Loan application

No staff applied for the loan. This is the reason why no meetings were held in the year under review

Compliance with statutory requirements

The scheme fund terms of references and regulations are anchored on the Commission's guidelines on staff car loan and mortgage scheme fund.

7. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Fund Administration Committee submit their report for the year ended June 30, 2023 which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are to provide house mortgage and car loan facilities to Commission Officers to purchase and/or to develop houses and to buy motor cars as prescribed in the Rules; and

Performance

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

Management Committee

The members of the Management Committee who served during the year are shown on page v to vii.

Auditors

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

By Order of the Committee



.....
Irene Kamunge
Chair of the Management Committee

8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund (ED/CEO) established by *Circular No. SRC/ADM/CIR/1/13/VOL/III dated 17th December 2014* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator 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 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 *SRC Circular No. SRC/ADM/CIR/1/13/VOL/III*. 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 confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 7th September, 2023 and signed on its behalf by:



Mr. Faisal Abass
Chairman of the board



Mr. Joseph Koskey
Executive Director /CEO

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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

Opinion

I have audited the accompanying financial statements of Privatization Commission Mortgage and Car Loan Scheme Fund set out on pages 1 to 16, which comprise the

Report of the Auditor-General on Privatization Commission Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2023

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Privatization Commission Mortgage and Car Loan 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.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Privatization Commission Mortgage and Car Loan 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 opinion.

Emphasis of Matter

Pending Accounts Payable

The statement of financial position and as disclosed in Note 11 to the financial statements, reflects trade and other liabilities balance of Kshs.1,483,688 which includes payables of Kshs.1,220,984 that have been outstanding for more than one year. Failure to settle bills in the year to which they relate adversely affects the implementation of the subsequent year budgeted programs as the pending bills form the first charge in the subsequent year's budget.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the financial transactions and information reflected in the financial statements are, in all material respects, with the authorities that govern them. I believe that the 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 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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue to sustain its services, disclosing, as applicable, information related to sustainability of services and using the applicable basis of accounting. Management is aware of the intention to terminate the Scheme 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 the activities, financial transactions and information reflected in the financial statements in compliance with the authorities which govern them, and for ensuring that they are applied in an effective way.

Report of the
June, 2023

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

Auditor-General's Responsibilities for the Audit

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

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

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

cause of its inherent limitations, internal controls may not prevent or detect statements 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 ne's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

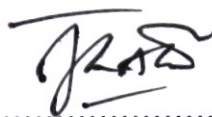
13 March, 2024

Report of the Auditor-General on Privatization Commission Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2023

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

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue			
Revenue from exchange transactions			
Interest income	7	3,152,599	3,077,647
Total Revenue		3,152,599	3,077,647
Expenses			
Use of goods and services	8	2,136,675	1,914,963
Total Expenses		2,136,675	1,914,963
Surplus for the year		1,015,924	1,162,684

The notes set out on from page 6 form an integral part of these Financial Statements.



Joseph Koskey
Executive Director/CEO

Date 07/09/2023



Virginiah Kariuki
Head of Finance
ICPAK No. 3706

Date 07/09/2023



Mr. Faisal Abass
Chairman of the Board

Date 07/09/2023

11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and cash equivalents	9	48,292,241	36,595,912
Non-current assets			
Receivables from exchange transactions	10	59,320,630	57,587,665
Total assets		107,612,871	94,183,577
Liabilities			
Trade and other Liabilities	11	1,483,688	1,220,985
Net assets & liabilities			
Mortgage and Car loan revolving fund		92,150,667	80,000,000
Accumulated surplus (Reserves)		13,978,516	12,962,592
		106,129,183	92,962,592
Total net assets and liabilities		107,612,871	94,183,577

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



Joseph Koskey
Executive Director/CEO

Date 07/09/2023



Virginiah Kariuki
Head of Finance
ICPAK No. 3706

Date 07/09/2023



Mr. Faisal Abass
Chairman of the Board

Date 07/09/2023

12. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2023

Description	Car loan / Mortgage Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2021	80,000,000	11,799,908	91,799,908
Surplus/(deficit) for the period	0	1,162,684	1,162,684
As at 30 June 2022	80,000,000	12,962,592	92,962,592
Balance as at 1 July 2022	80,000,000	12,962,592	92,962,592
Transfer from Privatization Commission	12,150,667	0	12,150,667
Surplus/(deficit) for the period	0	1,015,924	1,015,924
As at 30 June 2023	92,150,667	13,978,516	106,129,183

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

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest income	7a	2,852,597	3,077,647
Payments			
Use of goods and services	8a	1,873,973	1,665,817
Cash flows from Operations	12	978,624	1,411,830
Cash flows from investing activities			
Proceeds from loan principal repayments		4,067,038	5,241,504.00
Loan disbursements paid out		(5,500,000)	(12,600,000)
Net cash flows used in investing activities		(1,432,962)	(7,358,496)
Cashflow from Financing Activities			
Receipts into the mortgage revolving fund	6	12,150,667	0
Net cash generated from financing activities		12,150,667	0
Net increase/(decrease) in cash and cash equivalents		11,696,329	(5,946,666)
Cash and cash equivalents at the beginning		36,595,912	42,542,578
Cash and cash equivalents at the end of period	9	48,292,241	36,595,912

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	D	e=(c-d)	F=d/c
Revenue						
Interest income	2,000,000		2,000,000	1,451,324	548,676	73
Other income	3,000,000		3,000,000	1,701,275	1,298,725	57
Total Revenue	5,000,000		5,000,000	3,152,599	1,847,401	63
Use of goods and services						
Fund administration costs	3,000,000		3,000,000	1,701,275	1,298,725	57
Finance cost	600,000		600,000	435,400	164,600	73
Expenditure	3,600,000		3,600,000	2,136,675	1,463,325	59
Surplus for the period				1,015,924		

- ✓ There is no material difference between the actual and budgeted amount
- ✓ Surplus in the financial performance tallies with budget statement surplus.

15. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Privatization Commission staff car loan and mortgage scheme derives its authority and accountability from Privatization Act 2005. The fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to facilitate staff of the Commission to purchase residential houses and motor vehicles at low interest rates

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*. The financial statements have been prepared in accordance with the PFM Act, *Privatization Act 2005*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

(i) Early adoption of standards

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

4. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Revenue from exchange transactions

Interest income

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

b. Budget information

The original budget for FY 2022/23 was approved on 30th June 2022 together with the Commission budget. 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial instruments

(i) Financial assets

Loans and receivables

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

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.

(ii) Financial liabilities

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

d. Contingent liabilities

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

e. Contingent assets

The Commission 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Nature and purpose of reserves

Privatization Commission creates and maintains reserves in terms of specific requirements

g. Changes in accounting policies and estimates

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

h. Related parties

The Commission 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.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

j. Comparative figures

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

k. Events after the reporting period

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

l. Ultimate and Holding Entity

The entity is a Fund established by SRC circular No. SRC/ADM/CIR/1/13 VOL III dated 17th December 2014. Its ultimate parent is the Government of Kenya.

m. Currency

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

NOTES TO THE FINANCIAL STATEMENTS (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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

6. TRANSFER FROM PRIVATIZATION COMMISSION

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfer from privatization Commission	12,150,667	0
Total transfer	12,150,667	0

7. INTEREST INCOME

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest income from car/Mortgage loans	1,701,275	1,416,671
Interest income on bank deposits	1,451,324	1,660,976
Total interest income	3,152,599	3,077,647

7a. INTEREST INCOME

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest income from car/Mortgage loans	1,701,275	1,416,671
Interest income on bank deposits	1,451,324	1,660,976
Receivables	(300,002)	
Total interest income	2,852,597	3,077,647

8. USE OF GOODS AND SERVICES

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Fund administration Costs	1,701,275	1,416,671
Tax charged on interest income	435,400	498,292
Total	2,136,675	1,914,963

8.a USE OF GOODS AND SERVICES

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Fund administration Costs	1,701,275	1,416,671
Tax charged on interest income	435,400	498,292
payables	(262,702)	(249,146)
Total	1,873,973	1,665,817

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. CASH AND CASH EQUIVALENTS

Description	2022/2023	2021/2022
	Kshs.	Kshs.
HFC Car loan/ mortgage account	48,292,241	36,595,912
Total cash and cash equivalents	48,292,241	36,595,912

9 a) Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
Mortgage and Car Loan fund			
HFC Ltd account- fixed deposit account	2299583401	48,292,241	36,595,912
Grand total		48,292,241	36,595,912

10. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description		2022/2023		2021/2022
		Kshs.		Kshs.
Current Receivables				
HFC Ltd		1,403,847		0
Interest receivables		300,002		0
Long term loan repayments due Mortgage		57,616,780		57,587,665
Total receivables from exchange transactions		59,320,629		57,587,665
Ageing analysis (receivable) from Exchange transactions)	2022/23	% of total	2021/22	%
Less than year	1,703,849	3%	0	
Between 1-2yrs	2,506,884	4%	0	
Between 2-3yrs	0		4,102,975	7%
Over 3yrs	55,109,895	93%	53,484,690	92%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TRADE AND OTHER LIABILITIES

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Bal Brought forward	1,220,984	971,839
Additions	262,704	249,146
Total	1,483,688	1,220,985

12. NET CASH FLOWS FROM OPERATING ACTIVITIES

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus for the year	1,015,924	1,162,684
Working Capital Adjustment		
Increase in receivables	(300,002)	0
Increase in payables	262,702	249,144
	(37,300)	249,144
Net cash flow from operating activities	978,624	1,411,830

13. FINANCIAL RISK MANAGEMENT

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

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

a) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

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

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2021				
Receivables from exchange transactions	57,587,665	57,587,665		
Bank balances	36,595,912	36,595,912		
Total	94,183,577	94,183,577		
At 30 June 2022				
Receivables from exchange transactions	59,320,630	59,320,630		
Bank balances	48,292,241	48,292,241		
Total	107,612,871	107,612,871		

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

b) Interest rate risk

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

Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Capital risk management

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revolving fund	92,150,667	80,000,000
Accumulated surplus (Reserves)	13,978,516	12,962,592
Total funds	106,129,183	92,962,592
Less: cash and bank balances	(48,292,241)	(36,595,912)
Net debt/(excess cash and cash equivalents)	57,836,942	57,587,665
Gearing	54%	61%

14. RELATED PARTY BALANCES

a) Nature of related party relationships

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


- a) National government Entity
- b) Key management;
- c) Board of Trustees/Committee;

16. ANNEXES

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A



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Executive Director/CEO

Date: 07/09/2023