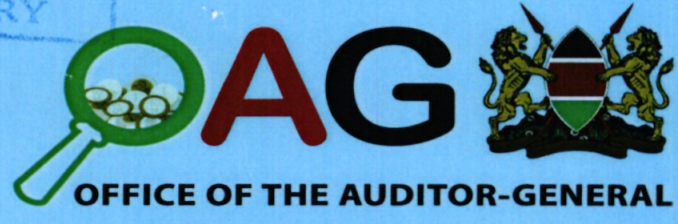


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**REPORT**

**OF**

PAPERS LAID	
DATE	25/10/2022
TABLED BY	SENATE MAJORITY WHIP
COMMITTEE	_____
CLERK AT THE TABLE	Ms. M. Adjibada

**THE AUDITOR-GENERAL**

**ON**

**SAMBURU COUNTY EXECUTIVE STAFF  
MORTGAGE (MEMBERS) SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



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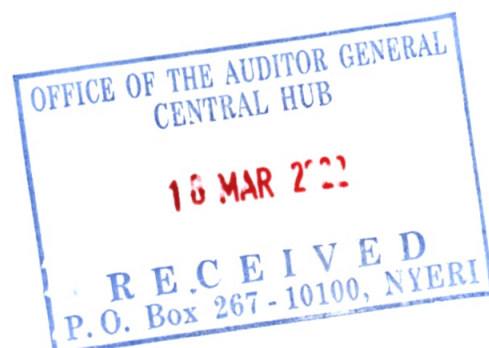
**SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

---

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



**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**TABLE OF CONTENTS**

TABLE OF CONTENTS	1
1. KEY FUND INFORMATION AND MANAGEMENT	2
2. FUND MANAGEMENT TEAM	4
3. LOANS MANAGEMENT COMMITTEE REPORT	7
4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES OF SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND	8
5. FUND CHAIRPERSON'S REPORT	9
6. REPORT OF THE FUND ADMINISTRATOR	10
7. CORPORATE GOVERNANCE STATEMENT	13
8. MANAGEMENT DISCUSSION AND ANALYSIS	14
9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	15
10. REPORT OF THE INDEPENDENT AUDITOR	16
11. FINANCIAL STATEMENTS	17
<b>11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED     30<sup>th</sup> JUNE 2021.....</b>	<b>17</b>
<b>11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021.....</b>	<b>18</b>
<b>11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021.....</b>	<b>20</b>
<b>11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021 ..</b>	<b>21</b>
<b>11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS     FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021 .....</b>	<b>23</b>
<b>11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>24</b>
<b>11.7. NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>38</b>
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	51

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**1. KEY FUND INFORMATION AND MANAGEMENT**

**a) Background information**

Samburu County Executive Staff Mortgage Scheme Fund is established by and derives its authority and accountability from Samburu County Executive Staff Mortgage Scheme Fund Act, 2016. The Fund is wholly owned by the County Government of Samburu and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide loan facility to members.

**c) Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mr. Moses Omondi	Chair Person
2	Mrs. Alice Lengalen	Vice Chair Person
3	Mr. David Lesamana	Secretary
4	Mr. Tyson Lemako	Member
5	Dr. Andrew Lanyasunya	Member
6	Ms. Joy Letooyia	Member
7	Mr. Marios Lerugum	Member

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Mr. Moses Omondi	Chair Person
2	Mrs. Alice Lengalen	Vice Chair Person
3	Mr. David Lesamana	Secretary

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**e) Registered Offices**

P.O. Box 3 – 20600  
Samburu County Headquarters,  
Maralal-Nyahururu Road,  
Maralal, KENYA

**f) Fund Contacts**

Telephone: +254 065 62456, +254 65 62075

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

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

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
P.O. BOX 260  
Maralal, Kenya  
Branch: Maralal  
Account No. 1169663966



**h) Independent Auditors**

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



**i) Principal Legal Adviser**

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

**2. FUND MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>Mr. Moses Omondi</p> 	<p>Mr. Moses Omondi Okeyo holds M.A. Planning and B.A. Urban and Regional Planning from University of Nairobi and Maseno University respectively with in-depth knowledge in spatial development planning, urban management, land administration, environmental planning and computer aided design platforms such as Geographical Information System. He is registered Physical Planner No. 280, corporate member of Kenya Institute of Planners (KIP) No. 232, Registered as NEMA Lead Expert No. 9070 and lead member of Environment Institute of Kenya (EIK). He has experience in public and private sector. He has served in public sector and is presently the Director in charge of physical and land use planning in Samburu and also the Acting Chief Officer of Lands, Housing, Physical Planning and Urban Development.</p>
<p>Mrs. Alice Lengalen</p>	
<p>Mr. David Lesamana</p> 	<p>David Lesamana was appointed the committee of the fund for Executive Car Loan &amp; Mortgage fund on --- -- of 2020. David Holds a masters in Project planning and management from the university of Nairobi, Bsc IT from JKUAT, Certified Project management professional from PMI, a member of ISACA, Certified Prince2 Practitioner. He has over 12 years' experience and currently Chief Officer Economic planning &amp; ICT and Ag.Chief officer finance, Samburu County Government</p>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

<p>Mr. Tyson Lemako</p> 	<p>Mr Lemako Tyson holds BSc Agricultural Education &amp; Extension from Egerton University, Diploma in Educational Management, Senior Management Course and several other short management courses. Has wealth of experience after working in Public service for more than 20yrs.</p> <p>Currently he is the Director of Agriculture and Ag Chief Officer; Department of Agriculture, Livestock &amp; Fisheries Samburu County Government</p>
<p>Dr. Andrew Lanyasunya</p>	
<p>Ms. Joy Letooyia</p> 	<p>Joy N Letooyia holds under graduate Degree in Education, and she has a vast experience in education matters of over 10 years.</p> <p>She is the Chief Officer- Education for Samburu County.</p>

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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Mr. Marios Lerugum



Holder of P 1 certificate from Mosoriot Teachers college, Diploma in special Education from Kenya institute of special Education

Bachelor's Degree in Education Arts, from Kenya Methodist University.

14 years in teaching experience 11 years as a principal education officer in the ministry of Education. Chief officer Education 2017/2021. Currently Chief Officer Gender , Culture Social Services and acting Chief Officer Youth and Sports Samburu County Government

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**3. LOANS MANAGEMENT COMMITTEE REPORT**

The Loans Management Committee submits their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

**Principal activities**

The principal activity of the Fund is issuance and management of mortgage loans to members of staff.

**Results**

The results of the Fund for the year ended June 30, 2021 are set out on page 17.

**Trustees**

The Loans Management Committee who served during the year are shown on page 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.

By Order of the Board

Secretary of the Board

Date: \_\_\_\_\_



**4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
OF SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND**

Right from its commencement, the objective of Samburu County Executive Staff Mortgage Scheme fund has always been that the Fund shall provide loan schemes for the purchase, development, renovation or repair of residential property by members of the Scheme.

Up until June 2021, the Fund had disbursed a total of KES 285,000,000 to forty five members. One of the pre-requisites for members to qualify for loans has been submission of residential building plans on bona-fide land ownership. On repayments schedule, a total of KES 63,384,056.25 had been repaid. However, this was noted as an under repayment by about KES 31,609,137.11-majorly due to under recovery on all beneficiaries at the payroll level. Consequently, a few of former employees stopped making their repayments shortly after they left employment. The Management Committee of the fund will deliberate on this and issue out its recommendations.

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**5. FUND CHAIRPERSON'S REPORT**

I would like to thank members of staff involved in the day to day operations of the Fund that includes the payroll staff, Fund Accountant and the reporting unit of the County Treasury. I take special notice that financial reports for this fund have been continuously done on monthly basis in the last financial year, accurate financial standing from where future decisions will be based on.

Though the fund had temporarily halted issuance of new loans from June 2018, new loans were issued in the last Financial Year ended June 2021.

From this Financial Reports, we noted the following challenges;

- Lower than expected payroll recoveries on all the members that benefited. This has resulted in under recovery of about 31M from the inception of the fund up to the end of June 2021.
- Members who initially benefitted have continuously defaulted on their repayments.

The committee has in the past held meetings and deliberations on how these gaps would be bridged and it is only a matter of time before the challenges noted are fully addressed.

With measure already in place, it's my belief that Samburu County Executive Staff Mortgage Scheme will soon perform to its optimal capacity and expectation for the benefit of all its members.

Signed: \_\_\_\_\_

Moses Omondi

## **6. REPORT OF THE FUND ADMINISTRATOR**

On behalf of the Committee charged with administration of Samburu County Executive Staff Mortgage Scheme, I would like to take this early opportunity to register my deep appreciation to all the stakeholders that have undertaken any function or task in the management of this Fund in the financial year ended June 2021.

It is worth mentioning that due to a myriad of challenges, the fund had stopped issuance of new loans to members but this has now resumed having put measures in place that guaranteed safety and accountability of the funds. Consequently, the reporting team has been in a position to generate monthly financial reports that have kept management of the fund abreast with current financial information of the fund. The committee needs to intensify its meetings in order to address issues that come up on timely basis.

Apart from the challenges mentioned above, the Committee has been able to pin point a few other challenges and how they can be addressed as follows;

- Lower than expected threshold on repayments by all beneficiaries. All beneficiaries have been found to be repaying less than expected to cater for both Principal and Interest at any given moment. This has resulted in under payment of about 31M by June 2021. This is based on the requirement of the Act where each beneficiary is supposed to settle their loan within a 20 year period given on an interest rate of 3% reducing balance. The Committee was of the opinion that payroll updates recoveries so as to comply with timelines for repayments. The table below gives a summary of the under payment.

<b>S. No</b>	<b>Names</b>	<b>Underpayment</b>
1	H.E. Moses Lenolkulal	2,865,959
2	H.E. Joseph Lemarkat	3,068,586
3	Hon. Jonathan Leisen	955,621
4	Hon. Stephen Lekupe	1,090,944
5	Hon. Irene Senei	134,663
6	Hon. Peter Leshakwet	644,069
7	Hon. Peter Lolmodooni	467,066
8	Hon. Vincent Learaman	851,780
9	Hon. Christine Lentoimaga	765,345
10	Hon. Grace Lempeei	1,124,466
11	Mr. Stephen Letinina	932,714
12	Mr. Bosco Sambu	468,624
13	Bernard Lesurmat	1,002,654
14	Lydia Letinina	765,195
15	Josephine Lenasalia	337,365
16	Linus Lenolgenje	552,966
17	Julius Leseeto	1,518,205
18	Reuben Lemunyete	697,649
19	Daniel Lenolkirna	1,018,865

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

20	Dorcas Lekisanyal	460,077
21	Samwel Lempushuna	986,240
22	Alice Nabaru Lenanyokie	463,060
23	Dickson Loorubat	367,105
24	Thomas Lekesike	1,021,142
25	Lilian Balanga	1,032,008
26	Paul Lolmingani	1,597,800
27	Timothy Lesingiran	657,304
28	Abednego Lenemiria	909,415
29	Patrick Yamako Lekimain	916,883
30	Bernard Saidimu Lenarogoito	1,238,068
31	Mary Ekai	561,107
32	Simon Lteeni	595,963
33	Simon Lekembe	369,908
34	Davoli Lepatoyie	409,366
35	Joseph Lekalkuli	-1
36	Tommy Lekimain	655,887
37	Josphat Lekamario	105,208
38	David Njenga	-140
39	Silvana Lenaitorono	0
40	Veronica Lemalasia	0
41	Moses Omondi	0
42	Paul Lenkupae	0
43	Edward Lolokuru	0
44	Samuel Nakope	0
45	Charles Leleruk	0
		31,609,137

- Some of our former staff members whose employment were terminated for one reason or the other have stopped making monthly repayments. For example in the year ended June 2021, the following made zero repayments towards their outstanding loans;

S. No	Names	Amounts Received in the year
1	H.E. Joseph Lemarkat	-
2	Hon. Christine Lentoimaga	-
3	Hon. Grace Lempeei	-
4	Samwel Lempushuna	-
5	Thomas Lekesike	-
6	Timothy Lesingiran	-
7	Abednego Lenemiria	-
8	Patrick Yamako Lekimain	-

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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9	Bernard Saidimu Lenarogoito	-
		-

The committee will pursue all defaulters by serving them with demand letters before engaging other recovery measures.

- Use of manual excels in generation of reports – This has been possible due to the few number of beneficiaries but this may not be feasible in future. The Fund therefore needs a system and also needs a dedicated accountant responsible for its day to day running.
- Late remittance of recoveries into the Fund Account. The Committee recommends that constant reporting be done and bank reconciliation to detect non remittances.
- Funds borrowed to implement county activities amount to KES 16,300,000 needs to be repaid back to the Fund account.

Having identified the mentioned gaps and with measures already put in place, the Fund is in a better place relative to prior periods.

In conclusion I would like to thank all the stakeholders who have contributed positively to the wellbeing of the fund and it is my hope that we will be able to continue to serve with the same spirit going into the future in order to ensure that the intent and objective of the scheme comes to fruition.

Signed:  \_\_\_\_\_ -

David Lesamana

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**7. CORPORATE GOVERNANCE STATEMENT**

The top decision making organ charges with corporate governance with regards to the management of Samburu County Executive Staff Mortgage Scheme Fund is the Loans Management Committee. With its recent appointment, the Committee endeavours to execute its mandate in line with the provisions of the Act.

The appointment of the Committee stems its appointment from Samburu County Executive Staff Mortgage Scheme, 2016. This therefore means, members of the committee are bound to hold office for the duration that they will be employed by Samburu County Government as Chief Officers in the respective departments defined in the Act. This therefore means should there be an occurrence either in form of dismissal or transfers to departments not defined by the Act, they cease to be members of the Committee and the CEC member automatically appoints a new office bearer to take up the vacant position in adherence with the Act.

Members are expected to hold quarterly meetings or adhoc meetings should there arise an urgent need to do so. Members require trainings on the administration of the fund especially at this point when they are all newly appointed. Performance of members is expected to be in line with the recommendations of the Act.

Should there be a conflict of interest in the execution of Committee duties, concerned members are encouraged to declare the interest in writing and communicate the same to the Chairperson. Members are expected to draw sitting allowances from the Fund commensurate with amounts recommended by the SRC should there be meetings.

It is the expectation of public, employer and all other stakeholders that members act impartially and with decorum in the execution of their duties.

Governance audit is expected to be conducted annually hand in hand with financial audits.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

According to management, the Fund has performed fairly well given the conditions that pre-existed in the year.

A lot have been identified as challenges and the committee now that it has the mandate to operate will endeavour to bridge the gaps identified in order to improve the standing of fund going into the future.

The committee does not have intentions to conduct investments or implement projects at this point in time. The committee will continue to neutralize the challenges identified in order to optimize its operational capacity and ensure that members' confidence is built in the scheme.

The fund is governed by Samburu County Executive Staff Mortgage Scheme Act, 2016 and will endeavour to comply with the Act and other statutory requirements in execution of its mandates.

The major risk that the Fund faces is risk of defaults as a result of members who may no longer be in employment. Though these are covered by the collaterals provided at the point of loan application.

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**9. 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 Mortgage Scheme Fund established by Samburu County Executive Staff Mortgage Scheme Fund Act, 2016 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 Samburu County Executive Staff Mortgage Scheme 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, 2021. 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 Samburu County Executive Staff Mortgage Scheme 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 Samburu County Executive Staff Mortgage Scheme Fund Act, 2016. 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, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the Board on \_\_\_\_\_ 2021 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Samburu County Executive Staff Mortgage (Members) Scheme Fund set out on Pages 17 to 71, which comprise the

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*Report of the Auditor-General on Samburu County Executive Staff Mortgage (Members) Scheme Fund for the year ended 30 June, 2021*

statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Samburu County Executive Staff Mortgage (Members) Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Doubtful Long-Term Receivables from Exchange Transactions**

Note 12 to the financial statements reflects receivables from exchange transactions balance of Kshs.254,961,518 as at 30 June, 2021, and which includes loans amounting to Kshs.230,000,000 disbursed to County Executive Members, Chief Officers, Chief of Staff, Governor Political Advisor and Members of County Public Service Board. Review of the loans revealed that the outstanding loans comprises of an amount of Kshs.10,687,449 relating to members who had not deposited any collateral and their employment terms were already terminated. Further, although the recoverability of the loans is doubtful, Management had not made a provision for doubtful debts in the financial statements.

In addition, the loans were amortized for a period of twenty (20) years instead of the number of months to the end of the term of employment or lapse of employment contract of the respective borrowers as required by Regulation 13 of the Public Finance Management (Samburu County Executive Staff Mortgage Scheme Fund) Regulations, 2016, which provides that a loan granted under these regulations shall be fully repaid at the end of the maximum period a member is eligible for.

In the circumstances, the accuracy, recoverability and regularity of loans balance of Kshs.10,687,449 as at 30 June, 2021 could not be confirmed.

#### **2. Unsupported Borrowings by the County Executive**

The statement of financial position as at 30 June, 2021 reflects borrowings of Kshs.16,300,000 and as disclosed under Note 13 to the financial statements being outstanding loans balance lent out to the Samburu County Executive. However, review of the loans revealed that the amount represents cash withdrawals from the fund account whose supporting documentation on how the funds were applied were not provided.

Further, the borrowing by the County Executive was not supported by County Assembly approval and acknowledgement of funds by County Treasury contrary to Section 142(1) of the Public Finance Management Act, 2012 which requires county government entities to seek the authority of the County Assembly to borrow cash on a short-term basis for cash management purposes only. In addition, the amount was not repaid within the financial year in line with Section 142(3) of the Public Finance Management Act, 2012 which provides that a county government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.

In the circumstances, the accuracy and regularity of borrowings of Kshs.16,300,000 as at 30 June, 2020 could not be confirmed.

### **3. Incomplete Statement of Comparison of Budget and Actual Amounts**

Samburu County Executive Staff Mortgage (Members) Scheme Fund Management did not provide an approved budget for the year ended 30 June, 2021 for audit review contrary to Regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an approved estimate of expenditure shall form the basis of the accounts for the financial year. Further, the Fund's financial statements did not reflect any amounts in the statement of comparison of budget and actual amounts for the period year ended 30 June, 2021. This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) and in accordance with Regulation 101(4) of the of the Public Finance Management (County Governments) Regulations, 2015 which provides an Accounting Officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed by the Public Sector Accounting Standards Board.

In the circumstances, the financial statements as prepared and presented do not comply with the requirements of International Public Sector Accounting Standard 1 and the format prescribed by the Public Sector Accounting Standard Board for the year ended 30 June, 2021.

### **4. Incorrect Name of the Fund in the Financial Statements**

The financial statements provided for audit states the name of the Fund as "Samburu County Executive Mortgage Scheme Fund". However, Section 3 of the Public Finance Management (Samburu County Executive Staff Mortgage Scheme Fund) Regulations, 2016 has defined the Fund as Samburu County Executive Staff Mortgage (Members) Scheme Fund. Management did not explain the inconsistencies.

In the circumstances, the name of the Fund in the financial statements for the year ended 30 June, 2021 was not consistent with the enabling law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Samburu County Executive Staff Mortgage (Members) Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Long-Term Receivables from Exchange Transactions**

##### **1.1 Uncharged Properties Financed through Loans**

The statement of Financial Position as at 30 June, 2021 reflects long-term receivables from exchange transactions balance of Kshs.254,961,518 comprising of total current receivables of Kshs.21,522,861 and total non-current receivables of Kshs.233,438,657 respectively and as disclosed in Note 12 to the financial statements. However, review of records revealed that the properties financed through the loans were not charged. This is contrary to Section 15(1) of the Public Finance Management (Samburu County Executive Staff Mortgage Scheme Fund) Regulations, 2016, which requires that the Fund Committee may have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of the title for such property.

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

##### **1.2 Lack of Mortgage Protection and Fire Policy with an Approved Insurance Firm**

The mortgage loans granted to members did not have a mortgage protection and fire policy with an approved insurance firm. This is contrary to Regulation 16(1) of the Public Finance Management (Samburu County Executive Staff Mortgage (Members) Scheme Fund) Regulations, 2016, which requires that a borrower 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 borne by the borrower.

In the circumstances, the Scheme is exposed to loss of funds in the event a disaster and in addition Management was in breach of the law.

### **1.3 Weaknesses in Loan Processing Procedures and Records Management**

Note 12 to the financial statements reflects receivables from exchange transactions balance of Kshs.254,961,518 as at 30 June, 2021, which includes loans issued to County Executive staff amounting to Kshs.110,000,000 for which the loan application files were not provided for audit review. Further, review of loan applications files presented for audit revealed instances of lack of mandatory documents specified in Regulation 10(1) of the Public Finance Management (Samburu County Executive Staff Mortgage Scheme Fund) Regulations, 2016, which provides that an application for a loan shall be accompanied by the following documents where appropriate;

- a) Copies of the designs of the proposed residential property duly approved by the department of public works within whose area it is situated.
- b) Bills of Quantities in respect of the proposed development, renovation or repair.
- c) An official search of the Title to the Property intended to be purchased.
- d) A certified copy of the sale agreement relating to the property.

In addition, review of attached land ownership documents for loans disbursed of Kshs.38,000,000 revealed that the respective plot numbers could not be traced to the plots register maintained by the County Government of Samburu.

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

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

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

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

##### **Basis for Conclusion**

##### **Lack of a Risk Management Policy**

The Samburu County Executive Staff Mortgage (Members) Scheme Fund did not have a risk management policy contrary to Regulation 158(1)(a) and (b) of the Public Finance

Management (County Governments) Regulations, 2015 which requires the accounting officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm whether the internal controls in financial and operational environment were effective and Management was also in breach of the law.

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

### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

19 July, 2022

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**11. FINANCIAL STATEMENTS**

**11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup>  
JUNE 2021**

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	5,975,632	6,237,456
Other income	5	-	-
<b>Total revenue</b>		<b>5,975,632</b>	<b>6,237,456</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
Staff costs	7	480,000	-
General Expenses	8	5,005	4,512
Finance costs	9	-	-
<b>Total expenses</b>		<b>485,005</b>	<b>4,512</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		<b>5,490,627</b>	<b>6,232,944</b>

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

**11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**


	Note	FY2020/2021	FY2019/2020
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	9,703,797	33,529,619
Current portion of long term receivables from exchange transactions	12	21,522,861	19,028,339
Borrowings	13	16,300,000	16,300,000
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	233,438,657	208,075,302
<b>Total assets</b>		<b>280,965,316</b>	<b>276,933,260</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	130,640	1,589,211
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>130,640</b>	<b>1,589,211</b>
<b>Net assets</b>			
Revolving Fund		247,992,000	247,992,000
Reserves		-	-
Accumulated surplus		32,842,676	27,352,049
<b>Total net assets and liabilities</b>		<b>280,965,316</b>	<b>276,933,260</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 18<sup>th</sup> March 2022 and signed by:

\_\_\_\_\_  
Administrator of the Fund  
Name: Moses Omondi

  
\_\_\_\_\_  
Fund Accountant  
Name: Joseph Lekalkuli  
ICPAK Member Number: 6711

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Receipts from other operating activities	Total
		KShs	KShs		KShs
<b>Balance as at 1 July 2019</b>	<b>236,992,000</b>	<b>-</b>	<b>21,119,105</b>		<b>258,111,105</b>
Surplus/(deficit) for the period			6,232,944		<b>6,232,944</b>
Funds received during the year	11,000,000				<b>11,000,000</b>
Receipts from other operating activities				1,589,211	<b>1,589,211</b>
Revaluation gain					-
<b>Balance as at 30 June 2020</b>	<b>247,992,000</b>	<b>-</b>	<b>27,352,049</b>	<b>1,589,211</b>	<b>276,933,260</b>
Balance as at 1 July 2020	247,992,000	-	27,352,049	1,589,211	276,933,260
Surplus/(deficit) for the period			5,490,627		5,490,627
Funds received during the year					-
Receipts from other operating activities				587,880	587,880
Refund to County Assembly				-2,046,451	-2,046,451
Revaluation gain					
<b>Balance as at 31st Jan 2021</b>	<b>247,992,000</b>	<b>-</b>	<b>32,842,676</b>	<b>130,640</b>	<b>280,965,316</b>

**(Provide details on the nature and purpose of reserves)**

**11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	FY2020/2021	FY2019/2020
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government	2	-	11,000,000
Interest received		-	-
Receipts from other operating activities (receipts from assembly staff)		587,880	748,628
<b>Total Receipts</b>		<b>587,880</b>	<b>11,748,628</b>
<b>Payments</b>			
Fund administration expenses	7	480,000	-
General expenses	8	5,005	4,512
Finance cost		-	-
<b>Total Payments</b>		<b>485,005</b>	<b>4,512</b>
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-2,046,451	-
<b>Net cash flows from operating activities</b>		<b>-1,943,576</b>	<b>11,744,116</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		12,117,754	10,072,587
Loan disbursements paid out		-34,000,000	-

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>Net cash flows used in investing activities</b>		<b>-21,882,246</b>	<b>10,072,587</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-23,825,822</b>	<b>21,816,703</b>
Cash and cash equivalents at 1 JULY	11	33,529,619	11,712,916
<b>Cash and cash equivalents at 30 JUNE</b>	<b>11</b>	<b>9,703,797</b>	<b>33,529,619</b>

**11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2021**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% utilisation</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Mortgage Capital Fund	-	-	-	-	-	0%
Receipts from other operating activities				587,880	(587,880)	>100%
<b>Total income</b>	-	-	-	<b>587,880</b>	<b>(587,880)</b>	<b>&gt;100%</b>
Expenses						
Mortgage Disbursement	-	-	-	-	-	0%
Staff costs	430,000		430,000	430,000	-	100%
General Expenses	5,005	-	5,005	5,005	-	100%
<b>Total expenditure</b>	<b>435,005</b>	-	<b>435,005</b>	<b>435,005</b>	-	<b>100%</b>

## 11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. 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.

### 2. Adoption of new and revised standards

#### a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2020</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

#### b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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 Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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</li> </ul>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund'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 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund 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> <p>(a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul> <p>Amendments to remove transitional provisions which</p>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Standard	Effective date and impact:
	<p>should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

**c) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year 2021.

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. 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 Fund 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.

**4. Budget information**

The original budget for FY 2020/2021 was approved by the County Assembly on 30 June 2020. 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 Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations on the 2020/2021 budget following the governing body's approval.

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

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

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 these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5. 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 Fund 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.

**6. 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.

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Provisions**

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

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

***Contingent liabilities***

The Fund 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.

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contingent assets***

The Fund 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 Fund 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.

**9. Nature and purpose of reserves**

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

**10. Changes in accounting policies and estimates**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**11. 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.

**12. Related parties**

The Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the Chairperson, Vice Chairperson and Committee Members. Samburu County Assembly is hereby regarded as a related party to the Fund.

**13. 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.

**14. Comparative figures**

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

**15. Events after the reporting period**

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

**16. Ultimate and Holding Fund**

The Fund is a County Public Fund established by Samburu County Executive Staff Mortgage Scheme Fund Act, 2016 under the Ministry of Planning and Devolution. Its ultimate parent is the County Government of Samburu.

**17. Currency**

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**18. Significant judgments and sources of estimation uncertainty**

The preparation of the Fund'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

**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 Fund 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 Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**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 Fund
- 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

**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 12.

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.

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**19. Financial risk management**

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

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

**a) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	227,103,641	200,614,888	26,488,753	0
Receivables from non-exchange transactions	-	-	0	0
Bank balances	33,529,619	-	0	0
<b>Total</b>	<b>260,633,260</b>	<b>200,614,888</b>	<b>26,488,753</b>	<b>0</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	254,961,518	223,352,381	31,609,137	0
Receivables from non-exchange transactions	-	-	0	0
Bank balances	9,703,797	-	0	0
<b>Total</b>	<b>264,665,316</b>	<b>223,352,381</b>	<b>31,609,137</b>	<b>0</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Fund has significant concentration of credit risk on amounts due from the beneficiaries of the scheme.

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

**b) Liquidity risk management**

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2021</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2020</b>				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2021</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2020</b>			
Euro	10%	0	0
USD	10%	0	0

**i. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2014: KShs 0 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2014 – KShs 0)

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Fund capital structure comprises of the following funds:

	<b>2021</b>		<b>2020</b>
	<b>KShs</b>		<b>KShs</b>
Revaluation reserve	0		0
Revolving fund	0		0
Accumulated surplus	0		0
<b>Total funds</b>	<b>0</b>		<b>0</b>
Total borrowings	0		0
Less: cash and bank balances	0		0
Net debt/(excess cash and cash equivalents)	0		0
<b>Gearing</b>	<b>0</b>		<b>0</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**11.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Donation from development partners	0	0
Contributions from the public	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**2. Transfers from County Government**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from County Govt. – operations	-	11,000,000
Payments by County on behalf of the Fund	-	-
<b>Total</b>	<b>-</b>	<b>11,000,000</b>

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

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Late payment penalties	0	0
Fines	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**4. Interest income**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from loans(mortgage or car loans)	5,975,632	6,237,456
<b>Total interest income</b>	<b>5,975,632</b>	<b>6,237,456</b>

**5. Other income**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	0	0
Income from sale of tender documents	0	0

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Miscellaneous income		
<b>Total other income</b>	<b>0</b>	<b>0</b>

**6. Fund administration expenses**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 7)	0	0
Loan processing costs	0	0
Professional services costs	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**7. Staff costs**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	125,000	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	355,000	-
<b>Total</b>	<b>480,000</b>	<b>-</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021**

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

**8. General expenses**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Loans advanced to members	0	0
Withdrawals by County Gvt	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses-Bank Charges	5,005	4,512
<b>Total</b>	<b>5,005</b>	<b>4,512</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**9. Finance costs**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Interest on Bank overdrafts	0	0
	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**10. Gain on disposal of assets**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**11. Cash and cash equivalents**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Fixed deposits account	0	0
On – call deposits	0	0
Current account	9,703,797	33,529,619
Others	-	-
<b>Total cash and cash equivalents</b>	<b>9,703,797</b>	<b>33,529,619</b>

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

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

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

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

Financial institution	Account number	FY2020/2021	FY2019/2020
		KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
<b>Sub- total</b>		<b>0</b>	<b>0</b>
<b>c) Current account</b>			
Kenya Commercial bank (Maralal Branch)		9,703,797	33,529,619
Bank B		-	-
<b>Sub- total</b>		<b>9,703,797</b>	<b>33,529,619</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>9,703,797</b>	<b>33,529,619</b>

**12. Receivables from exchange transactions**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	2,764,761	5,632,458
Current loan repayments due	16,402,477	10,331,206
Other exchange debtors	2,355,624	3,064,675
Less: impairment allowance (withdrawals)		
<b>Total Current receivables</b>	<b>21,522,861</b>	<b>19,028,339</b>
<b>Non-Current receivables</b>		
Long term loan repayments due	206,949,904	190,283,682
Long term portion of Interest receivable	20,061,752	14,429,293

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Long term portion of Other exchange debtors	6,427,001	3,362,326
<b>Total Non-current receivables</b>	<b>233,438,657</b>	<b>208,075,302</b>
<b>Total receivables from exchange transactions</b>	<b>254,961,518</b>	<b>227,103,641</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**13. Prepayments**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Borrowings by the County Executive	16,300,000	16,300,000
Prepaid insurance	0	0
Other Receivables-From CG	0	0
<b>Total</b>	<b>16,300,000</b>	<b>16,300,000</b>

**14. Inventories**

<b>Description</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>0</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**15. Property, plant and equipment**

	Land and	Motor vehicles	Furniture and fittings	Computers and	Total
	Buildings			office equipment	
Cost	KShs	KShs	KShs	KShs	KShs
<b>At 1<sup>st</sup> July 2019</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>At 1<sup>st</sup> July 2019</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>Net book values</b>					
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**16. Intangible assets-software**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	0	0
Additions	0	0
<b>At end of the year</b>	<b>0</b>	<b>0</b>
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	0	0
Amortization	0	0
<b>At end of the year</b>	0	0
Impairment loss	0	0
<b>At end of the year</b>	<b>0</b>	<b>0</b>
<b>NBV</b>	<b>0</b>	<b>0</b>

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

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables (payable to the county assembly)	130,640	1,589,211
<b>Total trade and other payables</b>	<b>130,640</b>	<b>1,589,211</b>

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**19. Borrowings**

Description	FY2020/2021	FY2019/2020
	KShs	KShs
<b>Balance at beginning of the period</b>	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestics borrowings during the period	0	0
<b>Balance at end of the period</b>	<b>0</b>	<b>0</b>

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

	FY2020/2021	FY2019/2020
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from zzz organisation'	0	0
<b>Domestic Borrowings</b>	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
<b>Total balance at end of the year</b>	<b>0</b>	<b>0</b>

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

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
<b>Total</b>	<b>0</b>	<b>0</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).*

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

**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	0	0	0	0
Non-current benefit obligation	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**21. Cash generated from operations**

	FY2020/2021	FY2019/2020
	KShs	KShs
<b>Surplus for the year before tax</b>	-	-
<b>Adjusted for:</b>		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	5,975,632	6,584,549
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>5,975,632</b>	<b>6,584,549</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:

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

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

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

**b) Related party transactions**

	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from related parties'	0	0
Transfers to related parties	2,046,451	0

**c) Key management remuneration**

	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	0	0
Key Management Compensation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**d) Due from related parties**

	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	0	0
Due from County Government	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**e) Due to related parties**

	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>FY2020/2021</b>	<b>FY2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Court case xxx against the Fund	0	0
Bank guarantees	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**12. PROGRESS ON FOLLOW UP OF AUDITOR 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>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.1	Page 1, under the table of contents, the word table of contents erroneously appears twice.	This has been amended and the word table of contents on Page 1 appears only once. An updated financial statements report is hereby attached as annexure 1	Joseph Lekalkuli	Resolved	
1.2	The following details are missing from the table of contents and financial statements contrary to the public sector accounting standards board financial reporting template for the year ended 30 June 2020 as listed below:  1.2.1 Board of trustees (or any other corporate governance body for the Fund)	<ul style="list-style-type: none"> <li>Board of trustees – Though IPSAS recommends reporting template which includes items that may not be applicable to the Fund, Samburu County Executive Staff Mortgage Scheme draws its authority</li> </ul>	Joseph Lekalkuli	Resolved	

**Şamburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>1.2.2 Statement of performance against the Fund’s predetermined objectives</p> <p>1.2.3 Fund chairperson’s report</p> <p>1.2.4 Report of the Fund Administrator</p> <p>1.2.5 Corporate governance statement</p> <p>1.2.6 Management discussion and analysis</p> <p>1.2.7 Corporate social responsibility statement/sustainability reporting</p> <p>1.2.8 Report of the trustees</p> <p>1.2.9 Statement of management’s responsibilities</p>	<p>for operation from Samburu County Executive Staff Mortgage Scheme Fund Act, 2016 which does not mention the existence of the Board of Trustees. Instead it mentions Members Mortgage Loans Management Committee as the corporate governance body of the Fund. The Committee is vastly mentioned in the report and also included in the table of contents. The Act is operation has been provided here as annexure 2</p> <ul style="list-style-type: none"> <li>Statement of performance against the Funds predetermined</li> </ul>			

**Samburu County Executive Staff Mortgage Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>objectives- This has now been updated as per updated Financial Statements provided as annexure 1</p> <ul style="list-style-type: none"> <li>• Fund Chairperson's report- This has now been updated as per updated Financial Statements provided as annexure 1</li> <li>• Report of the Fund Administrator - This has now been updated as per updated Financial Statements provided as annexure 1</li> <li>• Corporate governance statement - This has now been updated as per updated Financial Statements provided as</li> </ul>			

Samburu County Executive Staff Mortgage Scheme Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		annexure 1 <ul style="list-style-type: none"> <li>• Corporate social responsibility statement/sustainability reporting – The fund did not have any social responsibility activities it facilitated in the year of implementation</li> <li>• Report of the trustees – The fund does not have a board of trustees but instead has in place Loan Management Committee whose report is already provided in the updated Financial Statements</li> <li>• Statement of management’s responsibilities – Provided on page 14 of the amended</li> </ul>			

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		FS.			
1.3	Page 2 under background information, reference is made to Executive Car Loans and Mortgage Fund instead of Samburu County Executive Staff Mortgage Scheme Fund.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.4	The financial statement header is missing on pages Page 2,3,4,5,6,7,8, and 14.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.5	The Independent auditors are indicated as Kenya National Audit Office on page 3 instead of Office of Auditor General.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.6	The details of qualifications and work experience for fund management team have been omitted on page 4.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.7	The principal activity of the fund is indicated as mortgage and car loans to members on page 5 instead of issuance and management mortgage loans only.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.8	The statement of management's responsibilities refers to county fund, omits the word members and erroneously reflects the financial year end as June 30, 2019 instead of 2020 on page 6.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	

**Şamburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

<b>Referen ce No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designatio n)</b>	<b>Status: (Resolve d / Not Resolved )</b>	<b>Timefra me: (Put a date when you expect the issue to be resolved )</b>
1.9	Page 12 the statement of cash flow has been prepared using the direct method contrary to the Public Sector Accounting Standards Board financial reporting template June 2020 that recommends the indirect method.	In the amended report, cash flow has been prepared using indirect method as per annexure 1	Joseph Lekalkuli	Resolved	
1.10	Page 15, refers to adoption of new and revised standards with effectives dates of 1 January 2018 and 2019 respectively which have since lapsed.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.11	Page 19 refers to inventories which are not relevant to the fund operations.	This has been omitted in the revised report as per annexure 1	Joseph Lekalkuli	Resolved	
1.12	Page 19 under provisions refers to the entity instead of the fund.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.13	Page 20 refers to the entity instead of the fund.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.14	Page 20 employee benefits and foreign currency transactions accounting policies are not relevant to the fund operations.	This has been omitted in the revised report as per annexure 1	Joseph Lekalkuli	Resolved	
1.15	Page 21 under paragraph 15 on related parties indicates that the key management comprise directors, CEO and	This has been amended to refer to the key	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	senior managers who have not been disclosed instead of the actual titles applicable to the Fund.	management comprise of Chairperson, Vice Chairperson and committee members.			
1.16	Page 21 under paragraph 19 of significant accounting policies indicates that the county public fund was established by XXX act that is not disclosed and a ministry xxx. Its ultimate parent is the county government of xxx which is also not disclosed.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.17	Page 23 under paragraph 22 (a) under credit risk, no figures are populated in the in the table.	The table is now populated in accordance with reports	Joseph Lekalkuli	Resolved	
1.18	Pages 24 makes, reference to entity instead of the fund and board of trustees instead of fund management.	This has been corrected as per attached annexure 1	Joseph Lekalkuli	Resolved	
1.19	Pages 25 and 26 under paragraph (c) and (i) makes, reference to market risk and foreign currency risk that are not relevant to the Fund operations.	This has been omitted in the revised report as per annexure 1.	Joseph Lekalkuli	Resolved	
1.20	Page 28 under Note 6.7(2) transfers from county government are not indicated. Further, under other income, the financial year and comparative year are indicated as 2018/2019 and 2017/2018 instead of	Transfers from county government has now been updated as per annexure 1	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2019/2020 and 2018/2019 respectively.				
1.21	Page 41 on progress of follow up of auditor recommendations, management has not made in comments or actions being undertaken.	Outstanding audit issues have been included as per amended report in annexure 1	Joseph Lekalkuli	Resolved	
2	<b>Inaccuracies in the Financial Statements</b> <b>The financial Statements had the following inconsistencies:</b>				
2.1	The statement of financial performance reflects interest income of Kshs.6,250,373 for the year ended 30 June 2020 whereas the statement of comparison of budget and actual amounts reflects a nil balance.	With recommendation from the management letter on use of accruals concept, there has been a slight change of interest income to KES 6,237,455.56. This interest income features both in the financial performance report and also in the budget and actual comparison report as per amended financial reports	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		in annexure 1.			
2.2	The statement of financial performance reflects general expenses of Kshs.4,512 for the year ended 30 June 2020 whereas the statement of comparison of budget and actual amounts reflects Kshs.580 resulting to unexplained variance of Kshs.3,932	This was an error whereby bank charges reported in the previous year of KES 580 was not updated in the current year's budget and actual comparison report. Correction has been done and now both financial performance and budget vs actual comparison reports read KES 4,512 as general expenses for the year ended June 2020. Refer to annexure 1.	Joseph Lekalkuli	Resolved	
2.3	The statement of cash flow reflects interest received from other operating activities of Kshs.570,274 whereas the statement of comparison of budget and actual amounts reflects a nil balance.	With recommendations earlier passed during the release of management letter on use of accrual basis and not cash basis, financial reports were once again amended and as such	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>amounts we earned (payroll recoveries from loans earlier taken at the assembly) from the former county assembly staff now absorbed by the executive amounted to KES 748,628 and not KES 570,274 (amounts realized using cash basis of accounting).</p> <p>Since this is technically a payable on our side, it will be misleading to report it as an income by reporting it in the budget vs actual comparison report. It must appear in the cash flow statement since it represents cash in-flow.</p>			

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)						
2.4	The statement of cash flow reflects transfers from County Government of Kshs.7,000,000 whereas Note 6.7(2) shows a nil balance.	Following recommendations made in management letter on use of accrual basis, the total amount transferred from the County Government was amended to KES 11,000,000. In the previous report KES 4,000,000 received after closure of 3th June was not factored in in the year.  This has since been corrected as per annexure 1	Joseph Lekalkuli	Resolved							
3	<p><b>Accuracy of Comparative Figures</b> The comparative figures in the financial statements differed from the audited figures as detailed below: -</p> <table border="1"> <thead> <tr> <th>Component</th> <th>Financial Statement 2018/2019 (Ksh)</th> </tr> </thead> <tbody> <tr> <td>Interest Income</td> <td>6,593</td> </tr> <tr> <td>Surplus (deficit) for the Period</td> <td>6,592</td> </tr> </tbody> </table>	Component	Financial Statement 2018/2019 (Ksh)	Interest Income	6,593	Surplus (deficit) for the Period	6,592	Opening balances have been amended to match 2018/19 audited statements as per annexure 1.	Joseph Lekalkuli	Resolved	
Component	Financial Statement 2018/2019 (Ksh)										
Interest Income	6,593										
Surplus (deficit) for the Period	6,592										

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments		Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																							
	<table border="1"> <tr> <td>Current portion of long term receivables from exchange transactions</td> <td>50,368,178</td> <td>7,728,862</td> <td>(42,639,316)</td> </tr> <tr> <td>Long term receivables from exchange transactions</td> <td>203,419,044</td> <td>259,791,475</td> <td>56,372,431</td> </tr> <tr> <td>Total assets</td> <td>258,689,988</td> <td>272,423,103</td> <td>13,733,116</td> </tr> <tr> <td>Revolving Fund</td> <td>236,992,000</td> <td>243,670,999</td> <td>6,678,999</td> </tr> <tr> <td>Reserves</td> <td>-</td> <td>28,752,105</td> <td>28,752,105</td> </tr> <tr> <td><b>Total</b></td> <td><b>762,655,520</b></td> <td><b>827,536,568</b></td> <td><b>64,881,048</b></td> </tr> </table> <p>Consequently, the accuracy and completeness of the comparative figures to the financial statements for the year ended 30 June 2020 could not be confirmed.</p>	Current portion of long term receivables from exchange transactions	50,368,178	7,728,862	(42,639,316)	Long term receivables from exchange transactions	203,419,044	259,791,475	56,372,431	Total assets	258,689,988	272,423,103	13,733,116	Revolving Fund	236,992,000	243,670,999	6,678,999	Reserves	-	28,752,105	28,752,105	<b>Total</b>	<b>762,655,520</b>	<b>827,536,568</b>	<b>64,881,048</b>				
Current portion of long term receivables from exchange transactions	50,368,178	7,728,862	(42,639,316)																										
Long term receivables from exchange transactions	203,419,044	259,791,475	56,372,431																										
Total assets	258,689,988	272,423,103	13,733,116																										
Revolving Fund	236,992,000	243,670,999	6,678,999																										
Reserves	-	28,752,105	28,752,105																										
<b>Total</b>	<b>762,655,520</b>	<b>827,536,568</b>	<b>64,881,048</b>																										
4	<p><b>Cash and Cash Equivalents</b></p> <p>The statement of financial position as at 30 June 2020 reflects a cash and cash equivalents balance of Kshs.20,242,040 which is the bank certificate balance and is at variance with the cash book balance of Kshs.31,178,892 resulting to unreconciled difference of Kshs.10,936,852 as detailed below:-</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Unbanked Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>May 2016 Payroll</td> <td>963,109.30</td> </tr> <tr> <td>April 2018 undercast on repayment</td> <td>293,441.80</td> </tr> <tr> <td>Unremitted Nov 16</td> <td>660,982.60</td> </tr> </tbody> </table>	Description	Unbanked Amount (Kshs.)	May 2016 Payroll	963,109.30	April 2018 undercast on repayment	293,441.80	Unremitted Nov 16	660,982.60	<p>Following recommendations from management letter earlier shared, our cash book was amended to conform to accrual concept rather than only amounts received. Use of payroll reports formed the basis of funds earned.</p> <p>As a result, the closing cash book balance now</p>	Joseph Lekalkuli	Resolved																	
Description	Unbanked Amount (Kshs.)																												
May 2016 Payroll	963,109.30																												
April 2018 undercast on repayment	293,441.80																												
Unremitted Nov 16	660,982.60																												

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																
	<table border="1"> <tr> <td>Unremitted Dec 16</td> <td>696,144.80</td> </tr> <tr> <td>Unremitted Oct 18</td> <td>847,638.60</td> </tr> <tr> <td>Unremitted Nov 18</td> <td>847,638.60</td> </tr> <tr> <td>Unremitted Feb 19</td> <td>864,805.30</td> </tr> <tr> <td>Unremitted May 19</td> <td>928,384.30</td> </tr> <tr> <td>Staff Repayments from County Government</td> <td>834,706.90</td> </tr> <tr> <td>Staff Repayments from County Government</td> <td>4,000,000.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>10,936,852.20</b></td> </tr> </table> <p>Management did not provide reasons for the delay in banking the cash receipts with some dating as far back as 2016. Further, the cash book opening balance of Kshs.11,712,916 was at variance with the previous year closing cash and cash equivalent balance of Kshs.4,902,766 resulting to unreconciled variance of Kshs.6,810,150. Consequently, the accuracy, validity and fair statement of the reported cash and cash equivalent balance of Kshs.20,242,040 as at 30 June 2020 could not be confirmed.</p>	Unremitted Dec 16	696,144.80	Unremitted Oct 18	847,638.60	Unremitted Nov 18	847,638.60	Unremitted Feb 19	864,805.30	Unremitted May 19	928,384.30	Staff Repayments from County Government	834,706.90	Staff Repayments from County Government	4,000,000.00	<b>Total</b>	<b>10,936,852.20</b>	<p>stands at KES 33,529,618.85. An updated cash book and bank reconciliation statement for the period ended June 2020 is hereby attached as <b>annexure 3</b>.</p> <p>Use of monthly payroll reports in the making of cash books helps in the eventual detection of failed transmissions. In the prior periods, staff relied on bank statements to generate cash books resulting to failure to detect unremitted transactions.</p>			
Unremitted Dec 16	696,144.80																				
Unremitted Oct 18	847,638.60																				
Unremitted Nov 18	847,638.60																				
Unremitted Feb 19	864,805.30																				
Unremitted May 19	928,384.30																				
Staff Repayments from County Government	834,706.90																				
Staff Repayments from County Government	4,000,000.00																				
<b>Total</b>	<b>10,936,852.20</b>																				

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5	<p><b>Current Portion of Long-Term Receivables from Exchange Transactions</b></p> <p>The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.61,498,088;(2019 Kshs.7,728,862) and as disclosed under Note 12 to the financial statements. However, the balance includes interest receivable of Kshs.19,792,873 and other exchange debtors of Kshs.31,347,103 that are unsupported by way of detailed schedule of principal amount, interest, repayments and the outstanding balance.</p> <p>Consequently, the accuracy and fair statement of the current portion of long-term receivables from exchange transactions balance of Kshs.61,498,088 as at 30 June 2020 could not be confirmed.</p>	<p>Initially using cash basis of accounting we had a total of KES 61,498,088 as total current receivables made up of;</p> <ul style="list-style-type: none"> <li>• Interest receivables KES 19,792,873</li> <li>• Other Exchange debtors of KES 31,347,103 (15,047,102.59+16,300,000). KES 16,300,000 represented an amount borrowed by the county executive for implementation.</li> <li>• Current loan repayment due of KES 10,358,112.39</li> </ul> <p>I have provided a schedule</p>	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>of my earlier workings for the above as <b>annexure 4</b>.</p> <p>Following the release of management letter, there were recommendations that we needed to;</p> <ul style="list-style-type: none"> <li>• Adopt accrual basis of accounting</li> <li>• Separate receivables older than a year from interest receivable and from other exchange debtors such that we only have current annual values in them.</li> <li>• Separately report borrowings of KES 16,300,000</li> </ul> <p>As a result of the above,</p>			

**Şamburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>we have a total of KES 19,028,338.90 as total current receivables made up of;</p> <ul style="list-style-type: none"> <li>• Interest Receivable of KES 5,632,458.44</li> <li>• Other exchange debtors of KES 3,064,674.77</li> <li>• Current loan repayment due KES 10,331,205.69</li> </ul> <p>The long term portions of interest receivable and other exchange debtors are KES 14,429,293.52 and 3,362,325.90 respectively. Borrowing by the county Gvt is separately reported as note 13. Schedules of the make-up of the above</p>			

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		is hereby attached as <b>annexure 5</b>			
6	<p><b>Long-term Receivables from Exchange Transactions</b> The statement of financial position reflects long-term receivables from exchange transactions of Kshs.190,765,995 ;(2019 Kshs.259,791,475) and as disclosed under Note 12 to the financial statements. However, the balance is unsupported by way of detailed schedule of opening balances, interest, repayments and the outstanding balance. This is contrary to section 99 (3) of the public finance management (County Government) Regulations, 2015, that requires every entry in the accounts to be supported. As previously reported, included in the balance is principal loan amount of Kshs.102,131,704 issued to twenty-three (23) staff members whose monthly recovery had not been effected in the payroll contrary to section 12(1) of the Public Finance Management (Samburu County Executive Staff Mortgage (Members) Scheme Fund) Regulations, 2016. As previously reported, included also in the balance is loan amount of Kshs.81,466,928 outstanding from</p>	<p>With recommendations from management letter, long-term receivables from exchange transactions amount to KES 190,283,682.35. Additionally, the reworked opening balances total to KES 203,000,331.24. Attached as <b>annexure 6</b> is the schedule supporting the above balances.</p> <p>Monthly payroll reports clearly from the commencement of the fund to date clearly show that a majority of loan</p>	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>thirteen (13) former employees and county executive committee members whose recoverability is doubtful but no provision for likely impairment have been made in the financial statements. Further, there is no evidence of recovery measures having been instituted. Consequently, the accuracy and fair statement of the long-term receivables of Kshs.190,765,995 as at 30 June 2020 could not be confirmed.</p>	<p>beneficiaries are consistently paying for their outstanding loans except a few staff who left employment as mentioned by the Fund's Secretary in the financial statements.</p>			
7	<p><b>Trade and Other Payables from Exchange Transactions</b>  The statement of financial position reflects Trade and Other Payables from Exchange Transactions balance of Kshs.1,121,277 as at 30 June 2020 in respect of employees who transferred their services from the county assembly to county executive. However, the balance is not supported by way of a detailed schedule showing name, personal number, basis of computation and total amount owing in breach Section 99 (3) of the of the Public Finance Management (County Governments) Regulations, 2015 that requires every entry in the accounts to be supported by a voucher or full details, clear narrations and particulars of the item or items to</p>	<p>Following the reworking of financial statements in compliance with IPSAS, where accrual concept is used for accounting purposes of funds, it therefore followed that the total amount owed to the County Assembly Mortgage Fund was KES 1,589,210.10 being recoveries made by the County Executive payroll on behalf of the Assembly</p>	Joseph Lekalkuli	Resolved	

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>which it relates. Further, the annual reports and financial statements for Samburu County Assembly Staff Mortgage Scheme Fund for the year ended 30 June 2020 do not report the amount as a receivable. Consequently, the completeness and existence of trade and other payables from exchange transactions balance of Kshs.1,121,277 as at 30 June 2020 could not be confirmed.</p>	<p>but ended up being banked into the executive's mortgage account.</p> <p>Attached as <b>annexure 7</b> is a ledger account showing the movement of the said payable amount from inception to June 2020 and on whose behalf the amounts were deducted.</p> <p>The basis of computation is basically payroll deductions for the two staff members.</p> <p>The County Treasury will remit the funds mentioned to the County Assembly Mortgage Scheme Fund Account once approvals</p>			

**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
		are sought from the committee																					
8	<p><b>Revolving Fund Balance</b> The statement of financial position reflects revolving fund balance of Kshs.243,992,000;(2019 Kshs.243,670,999) which differs from the audited balance for the prior period of Kshs.243,670,000 resulting to unreconciled variance of Kshs.321,001. Included in the balance is Kshs.177,010,016 where there is no evidence of the funds having been deposited in the fund bank account as detailed below: -</p> <table border="1" data-bbox="450 1050 1205 1401"> <thead> <tr> <th>Date</th> <th>Particulars</th> </tr> </thead> <tbody> <tr> <td>31/8/2015</td> <td>Transfers from County Executive</td> </tr> <tr> <td>4/11/2015</td> <td>Transfers from County Executive</td> </tr> <tr> <td>23/12/2015</td> <td>Transfers from County Executive</td> </tr> <tr> <td>23/12/2015</td> <td>Transfers from County Executive</td> </tr> <tr> <td>8/04/2016</td> <td>Transfers from County Executive</td> </tr> <tr> <td>17/05/2016</td> <td>Transfers from County Executive</td> </tr> <tr> <td>17/05/2016</td> <td>Transfers from County Executive</td> </tr> <tr> <td>26/08/2016</td> <td>Transfers from County Executive</td> </tr> </tbody> </table>	Date	Particulars	31/8/2015	Transfers from County Executive	4/11/2015	Transfers from County Executive	23/12/2015	Transfers from County Executive	23/12/2015	Transfers from County Executive	8/04/2016	Transfers from County Executive	17/05/2016	Transfers from County Executive	17/05/2016	Transfers from County Executive	26/08/2016	Transfers from County Executive	<p>Though initially we had reported a total of KES 243,992,000 as total revolving fund, this amount rose to KES 247,992,000 after inclusion of KES 4,000,000 that hit the fund's account after period closure and which had not been taken into account given that we had applied cash basis of accounting then.</p> <p>Attached as <b>annexure 8</b> is Revolving Fund Ledger account from inception of the fund to June 2020 using accrual concept of</p>	Joseph Lekalkuli	Resolved	
Date	Particulars																						
31/8/2015	Transfers from County Executive																						
4/11/2015	Transfers from County Executive																						
23/12/2015	Transfers from County Executive																						
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**Samburu County Executive Staff Mortgage Scheme Fund  
Reports and Financial Statements  
For the year ended June 30, 2021**

Reference No. on the external audit Report	Issue / Observations from Auditor		Management comments		Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Date	Description	Accounting	Amount			
	17/01/2017	Transfers from County Executive	Accounting.	5,000,000			
		<b>Total</b>		<b>177,010,016</b>			
<p>Consequently, the accuracy and fair statement of the revolving fund balance of Kshs.243,992,000 as at 30 June 2020 could not be confirmed.</p>							

**Guidance Notes:**

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