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**REPORT**

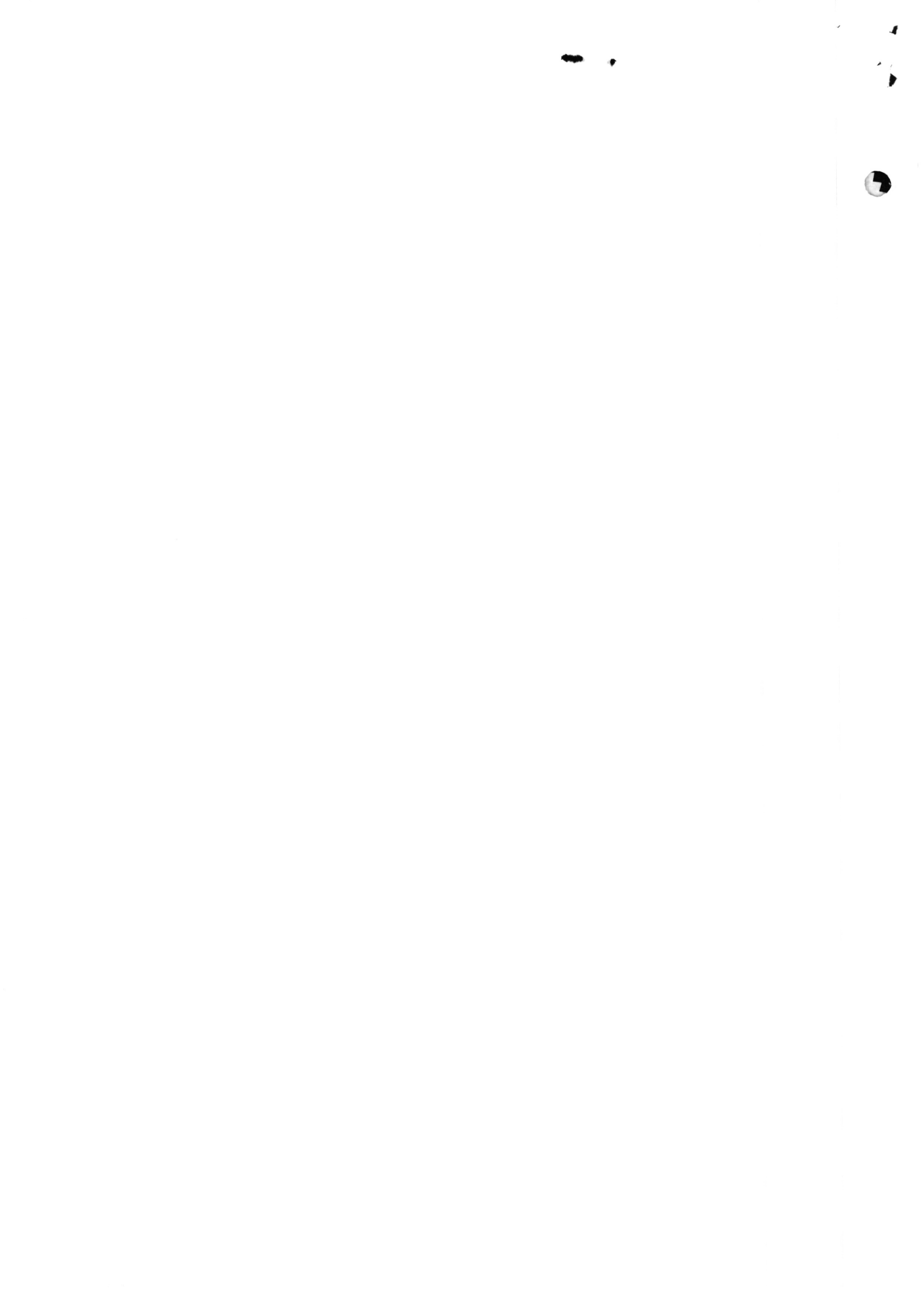
**OF**

**THE AUDITOR-GENERAL**

**ON**

**TANA RIVER COUNTY STAFF CAR  
LOAN AND MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



OFFICE OF THE AUDITOR GENERAL  
NORTH EASTERN REGIONAL OFFICE

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*Revised 30th June 2022*



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**TANA RIVER COUNTY STAFF CAR LOAN AND MORTGAGE  
SCHEME FUND.**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

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

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**1. Key Entity Information and Management**

**a) Background information**

Tana River County Staff Car loan and Mortgage Fund is established by and derives its authority and accountability from Article 230 of the constitution and section 13 of the salaries and remuneration commission Act ,2011 and Tana River Staff car loan and mortgage regulations of 2018. The Tana River County Staff Car Loan and Mortgage Fund is wholly owned by the County Government of Tana River and is domiciled in Kenya.

The Tana River County Staff Car Loan and Mortgage fund’s objective is to facilitate car loans and mortgages to be advanced to County staff as may be prescribed by the salaries and remuneration Commission or any lawful authority in for the time being.

The Tana River County Staff Car Loan and Mortgage Fund’s principal activity is provision of car loan and Mortgage to County staff.

**b) Principal Activities**

The principal activity/mission/ mandate of the Tana River County Staff Car Loan and Mortgage Fund is to: -

Facilitate County Staff to benefit from the funded loans to purchase cars and access Mortgage facilities. It is expected that implementation of the benefits will motivate county staff and immensely contribute towards attraction and retention of requisite skills in line with the constitutional principles.

**c) Tana River County Staff Car Loan and Mortgage Fund Administration Committee.**

| Ref | Name                  | Position    |
|-----|-----------------------|-------------|
| 1   | Mr. Mathew Babwoya    | Chairperson |
| 2   | Mr. Joshua Jara       | Member      |
| 3   | Mr. Hero B.Said       | Member      |
| 4   | Mr. Isaiah Munje      | Member      |
| 5   | Mrs. Miriam Bunu      | Member      |
| 6   | Mr. Ali Barhe         | Member      |
| 7   | Mr Galgalo Jarso Jilo | Member      |

**d) Tana River County Staff Car Loan and Mortgage Key Management Team.**

| Ref | Name                   | Position                                |
|-----|------------------------|---|
| 1   | Mrs. Miriam Bunu       | Director Finance and economic planning. |
| 2   | Mr Galgalo Jarso Jillo | Fund administrator                      |
| 3   | Mr. Ali Barhe          | Director Public administration          |

**e) Tana River County Staff Car Loan and Mortgage Registered Offices**

- f) P.O. Box 29 - 70101
- g) Office of the Governor
- h) Hola, KENYA

**g) Tana River County Staff Car Loan and Mortgage Fund Contacts**

Telephone: (254) 729058782  
E-mail: N/A  
Website: N/A

**h) Tana River County Staff Car Loan and Mortgage Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Equity Bank of Kenya  
P.O. Box 75104  
Code 00200  
Nairobi.






**i) Tana River County Staff Car Loan and Mortgage Fund Independent Auditors**

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




**j) Tana River County Staff Car Loan and Mortgage Fund Principal Legal Adviser**

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

**2. Tana River County Staff Car Loan and Mortgage Board of Trustees (or any other governing body for the Fund)**

| Name  | Details of qualifications and experience  |
|---|---|
| <br>Mr Mathew Babwoya<br>Chairperson   | <ul style="list-style-type: none"> <li>➤ CEC Member Finance and Economic Planning.</li> <li>➤ Bachelor of Arts (Economics)</li> <li>➤ Experience 13 years</li> </ul>  |
| <br>Mr Isiah Munje<br>Member           | <ul style="list-style-type: none"> <li>➤ County Attorney.</li> <li>➤ Bachelor of Law(LLB)</li> <li>➤ Experience 11years</li> </ul>  |
| <br>Mrs Miriam Bunu<br>Member          | <ul style="list-style-type: none"> <li>➤ Director Finance and Economic Planning.</li> <li>➤ Masters in Business administration</li> <li>➤ Bachelors degree in Business management</li> <li>➤ Certified Public Accountant(CPA-K)</li> <li>➤ Experience 18 years</li> </ul> |
| <br>Mr Ali Barhe<br>member           | <ul style="list-style-type: none"> <li>➤ Deputy director administration.</li> <li>➤ Bachelors degree in Peace &amp; Conflict resolutions</li> <li>➤ Over 30 years experience</li> </ul>   |
| <br>Mr Galgalo Jarso Jillo<br>Member | <ul style="list-style-type: none"> <li>➤ Fund administrator</li> <li>➤ Bachelor's degree in Commerce</li> <li>➤ CPA</li> <li>➤ Experience 16 years</li> </ul>   |

**3. Tana River County Staff Car Loan and Mortgage Fund Management Team**

| Name  | Details of qualifications and experience  |
|---|---|
|  <p>1. Mrs. Miriam Bunu</p>      | <ul style="list-style-type: none"> <li>➤ Director Finance and Economic Planning.</li> <li>➤ Masters in Business administration</li> <li>➤ Bachelors degree in Business management</li> <li>➤ Certified Public Accountant(CPA-K)</li> <li>➤ Experience 18 years</li> </ul> |
|  <p>2. Mr Galgalo Jarso Jilo</p> | <ul style="list-style-type: none"> <li>➤ Fund administrator</li> <li>➤ Bachelor's degree in Commerce</li> <li>➤ CPA</li> <li>➤ Experience 16 years</li> </ul>   |
|  <p>3. Mr. Ali Barhe</p>       | <ul style="list-style-type: none"> <li>➤ Deputy director administration.</li> <li>➤ Bachelors degree in Peace &amp; Conflict resolutions</li> <li>➤ Over 30 years experience</li> </ul>   |

**4. Tana River County Staff Car Loan and Mortgage Scheme Fund Chairperson's Report**

During financial year 2021/2022 Tana River County staff car loan and mortgage fund has not received additional funding from the county treasury. Balance carried forward from the previous financial year 2020/2021.

For the year 2021/2022 Members of the staff borrowed to the tune of **Ksh 8,400,000** (Eight million four hundred thousand only).

The loans advanced to members of the staff was for mortgage.

Tana River County Car loan and mortgage fund account will improve the life of members since they are given loans to purchase land thus improving their living standards.

There were no changes in the funds Key management team.

The funds performance is satisfactory and in line with its main objectives.

The loan management committee has put in place a robust plan to grow the fund and enable it to grow and meet its intended purpose.



.....  
**Name: Mr Mathew Babwoya**

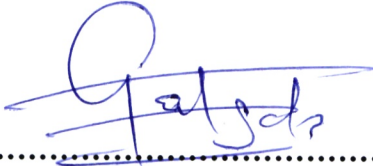
**CECM Finance and Economic planning.**

**Chairperson**

**5. Report of the Fund Administrator**

Tana River County Executive Staff Car Loan and Mortgage Fund account has been in existence since august 2019/2020 and has been operational to date.

During financial year 2021/2022 the Tana River Staff Car Loan and Mortgage Fund has not received additional funding from the county treasury. It has operated using the balance of the revolving fund in place from the previous year 2020/2021. Part of interest income has been utilized for administrative purposes.



.....  
**Name: Mr Galgalo Jarso Jilo**

**Fund Administrator**

## **6. Statement of Performance against the County Fund's Predetermined Objectives**

### **Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity, Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for *Financial year 2021/2022* is to *Provide car and mortgage Loans to bonafied County Staff. The fund managed to disburse a mortgage loan of Ksh 8,400,000/= .*

*The absorption rate was very low, however with the change of strategy the funds absorption rate has drastically increased , which will clearly be visible in the next financial year 2022/2023.*

*The fund management also strengthened loan collection and ensuring a high loan portfolio is maintained.*

## **7. Corporate Governance Statement**

The loan management committee had at least 10 board meetings over the financial year 2021/2022. All the members attended the meetings and at all time the quorum was threshold was met.

During the financial year, Mr. Galgalo Jarso Jillo replaced the fund administrator Mr. Lucky Azikiliwe. The handing over was presided over by the board.

The fund does not have a board/ trustee charter as at now, however it is among the items to be initiated and implemented in financial year 2022/2023.

The process of appointment and removal of trustees is clearly indicated in regulations that guide the funds management. There were no changes in the board.

The loan management committee plays a supervisory role in the management of the staff car loan and mortgage fund. All key and major decisions are sanctioned by the board.

The fund conducted training for all the board members.

There was no conflict of interest noted in the financial year 2021/2022.

The performance of the board is excellent and satisfactory.

The loan management committee is only paid remuneration when an activity takes place.

All the key responsibilities and transactions are carried out with high levels of integrity as per the guidance of chapter 6 of the Constitution 2010 .

## **8. Management Discussion and Analysis**

The operation of the staff car loan and mortgage fund during the financial year 2021/2022 run smoothly under the supervision of the loan management committee as per the regulations.

The fund administrator and the management team ensured compliance to the regulations and proper books of accounts and records are in place.

There has been an increase in the demand for car loan and mortgage facilities since new changes were introduced by the loan management committee.

## **9. Environmental and Sustainability Reporting**

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

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

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

### **2. Environmental performance**

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

### **3. Employee welfare**

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

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

The organisation should outline its efforts to:

#### a) Responsible competition practice.

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

#### b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

#### c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

#### d) Product stewardship- outline efforts to safeguard consumer rights and interests

### **5. Community Engagements-**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

*The organisation gives details of Corporate Social Responsibility activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)*

## **10. Report of The Trustees**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which shows the state of the Tana River County Staff Car Loan and Mortgage Fund affairs.

### **Principal activities**

The principal activities of the Tana River County Staff Car Loan and Mortgage Fund are *issuance of mortgage and car loans to staff of the County Government of Tana River.*

### **Results**

The results of the Tana River County Staff Car Loan and Mortgage Fund for the year ended June 30, 2022 are set out on page 1

### **Trustees**

The members of the Board of Trustees who served during the year are shown on page iii. The changes in the Board during the financial year are as shown below:

Changes of the fund administrator.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Tana River County Staff Car Loan and Mortgage Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....  
**Chair of the Board/Fund Administration Committee**

**Date: 14<sup>th</sup> April, 2023.**

### **11. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Article 230 of the constitution and section 13 of the salaries and remuneration commission Act ,2011 and Tana River Staff car loan and mortgage regulations of 2018. Shall prepare financial statements for the Tana River County Staff Car Loan and Mortgage Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

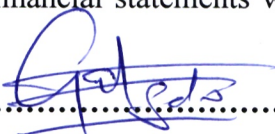
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Tana River County Staff Car Loan and Mortgage Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Tana River County Staff Car Loan and Mortgage 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 County Public Fund established by Article 230 of the constitution and section 13 of the salaries and remuneration commission Act ,2011 and Tana River Staff car loan and mortgage regulations of 2018. 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, 2022, 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 Tana River County Staff Car Loan and Mortgage 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 **14<sup>th</sup> April 2023** and signed on its behalf by:

.....  


# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON TANA RIVER COUNTY STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Tana River County Staff Car Loan and Mortgage Scheme Fund set out on pages 16 to 48, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the

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*Report of the Auditor-General on Tana River County Staff Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022*

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 Tana River Car Loan and Mortgage Scheme Fund as at 30 June, 2022, 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 (Tana River County Staff Car Loan and Mortgage Scheme Fund) Regulations, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inconsistency in Accounts Receivables**

The statement of financial position reflects current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions balance of Kshs.4,557,047 and Kshs.47,401,427 respectively. However, these balances, whose total is Kshs.51,958,474 differ with the amount of Kshs.54,026,992 reflected in Note 7 to the financial statements, resulting in a balance of Kshs.2,068,518, which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of current portion and long-term portion receivables balance of Kshs.51,958,474 could not be confirmed.

#### **2. Loans Advanced to Firms Instead of Staff Members**

The statement of financial position reflects current portion of long-term receivables and long-term receivables from exchange transactions of Kshs.4,557,047 and 47,401,427 respectively. Review of the supporting documents revealed that two firms were included in the loan schedules with outstanding loans of Kshs.29,193,065. Management did not explain the circumstances under which the two (2) firms were advanced loans by the Fund. This was contrary to Regulation 4 of the Public Finance Management (Tana River County Staff Car Loan and Mortgage Scheme Fund) Regulations, 2018 which provides that the purpose of the Fund is to give car loans and mortgages to County staff members for purchase of a car, and purchase, development, renovation or repair of residential property. In addition, the loans advanced to the two firms could not be recovered through payroll. Further, Management did not disclose the terms and conditions under which loans were issued to the two firms, and in the absence of such disclosure it was not possible to confirm whether or not the loans issued met the regulations governing the issue of such loans.

In the circumstances, the recoverability of loans of Kshs.29,193,065 advanced to non-staff members in contravention of the law was doubtful.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tana River County Staff Car Loan and Mortgage 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 audit 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.

### **Other Matter**

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

Several issues were raised in the Auditor-General's report for 2020/2021 financial year. However, the issues have not been appended to the financial statements disclosing the Managements comments and current status, in the format and contents prescribed by the Public Sector Accounting Standards Board.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Unsecured Loans**

The statement of cash flows reflects loan disbursements of Kshs.8,400,000. However, there was no evidence that the property acquired through the loan was co-owned by the beneficiary and the County Government. This was contrary to Regulation 15(1(a)(b) of the Public Finance Management (Tana River County Staff Car Loan and Mortgage Scheme Fund) Regulations, 2018 which states that where the loan is for purchase of a car, the County Car Loan and Mortgage Committee shall ensure that the car is jointly registered in the name of the County Government and the borrower, and the logbook shall remain in the custody of the Committee. Where the loan is a mortgage, the Committee shall ensure that a charge is registered on the property and that all the legal documentation and disbursement is supervised by the County Attorney.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

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

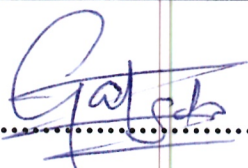
  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**11 May, 2023**

**12. Statement of Financial Performance For The Year Ended 30th June 2022**

|   | Note | 2021-2022        | 2020-2021        |
|---|------|------------------|------------------|
|   |      | Kshs             | Kshs             |
| <b>Revenue From Non-Exchange Transactions</b> |      |                  |                  |
| Transfers From the County Government          | 1    | 00.00            | 00.00            |
|   |      |                  |                  |
| <b>Revenue From Exchange Transactions</b>     |      |                  |                  |
| Interest Income                               | 2    | 2,593,049        | 1,193,759        |
| Other Income                                  | 3    | 00.00            | 00.00            |
|   |      |                  |                  |
| <b>Total Revenue</b>                          |      | <b>2,593,049</b> | <b>1,193,759</b> |
| <b>Expenses</b>                               |      |                  |                  |
| Use of goods and services                     | 4    | 2,503,420        | 989,377          |
| Depreciation and Amortization Expense         | 5    | 60,838           | 60,831           |
| <b>Total Expenses</b>                         |      | <b>2,564,258</b> | <b>1,050,208</b> |
| <b>Other Gains/Losses</b>                     |      |                  |                  |
| Gain/Loss on Disposal of Assets               |      | 00.00            | 00.00            |
| <b>Surplus/(Deficit) For The Period</b>       |      | <b>28,791</b>    | <b>143,551</b>   |



.....  
**Name: Galgalo Jarso Jillo**  
**Administrator of the Fund**

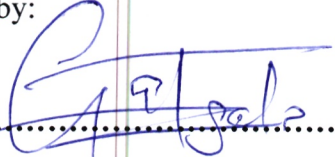


.....  
**Name: Mariam Abdalla Bunu**  
**ICPAK Member Number: 20519**


**13. Statement of Financial Position As At 30 June 2022**

|  | Note | 2021-2022         | 2020-2021         |
|--|------|-------------------|-------------------|
|  |      | Kshs              | Kshs              |
| <b>Assets</b>  |      |                   |                   |
| <b>Current Assets</b>  |      |                   |                   |
| Cash and Cash Equivalents  | 6    | 29,881,315        | 27,675,437        |
| Current Portion of Long- Term Receivables From Exchange Transactions | 7    | 4,557,047         | 2,564,145         |
|  |      |                   |                   |
| <b>Non-Current Assets</b>  |      |                   |                   |
| Property, Plant and Equipment  | 8    | 187,500           | 248,338           |
| Long Term Receivables from Exchange Transactions                     | 7    | 47,401,427        | 51,510,578        |
|  |      |                   |                   |
| <b>Total Assets</b>  |      | <b>82,027,289</b> | <b>81,998,498</b> |
| <b>Liabilities</b>   |      |                   |                   |
| <b>Current Liabilities</b>   |      |                   |                   |
| Trade and Other Payables from Exchange Transactions                  |      | 00,00             | 00,00             |
| Current Portion of Borrowings  |      | 00,00             | 00,00             |
|  |      |                   |                   |
| <b>Non-Current Liabilities</b>                                       |      |                   |                   |
| Non-Current Employee Benefit Obligation                              |      | 00,00             | 00,00             |
| <b>Total Liabilities</b>   |      | <b>00,00</b>      | <b>00,00</b>      |
|  |      |                   |                   |
| <b>Net Assets</b>  |      |                   |                   |
| Revolving Fund   |      | 77,600,000        | 77,600,000        |
| Accumulated Surplus  |      | 4,427,289         | 4,398,498         |
| <b>Total Net Assets and Liabilities</b>                              |      | <b>82,027,289</b> | <b>81,998,498</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 14/04/2023 and signed by:

.....  


**Name: Galgalo Jarso Jillo**  
**Administrator of the Fund**

.....  


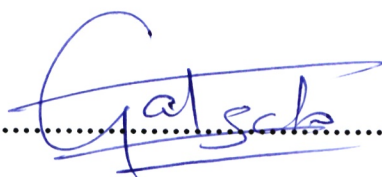
**Name: Mariam Abdalla Bunu**  
**ICPAK Member Number: 20519**

**Tana River County Staff Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

|                                   | Revolving Fund    | Revaluation Reserve | Accumulated surplus | Total             |
|-----------------------------------|-------------------|---------------------|---------------------|-------------------|
|                                   |                   | Kshs                | Kshs                | Kshs              |
| <b>Balance As At 1 July 2020</b>  | 77,600,000        | 00.00               | 4,254,947           | 81,854,947        |
| Surplus/(Deficit) For the Period  | -                 | -                   | 143,551             | 143,551           |
| Funds Received During the Year    | 00.00             | -                   |                     | 00.00             |
| Transfers                         | 00.00             |                     | (00.00)             | 00.00             |
| Revaluation Gain                  | -                 | 00.00               | -                   | 00.00             |
| <b>Balance As At 30 June 2021</b> | <b>77,600,000</b> | <b>00.00</b>        | <b>4,398,498</b>    | <b>81,998,498</b> |
| <b>Balance As At 1 July 2021</b>  | <b>77,600,000</b> | <b>00.00</b>        | <b>4,398,498</b>    | <b>81,998,498</b> |
| Surplus/(Deficit) For the Period  |                   | -                   | 28,791              | 28,791            |
| Funds Received During the Year    | 00.00             | -                   | -                   | 00.00             |
| Transfers                         | 00.00             |                     | (00.00)             | 00.00             |
| Revaluation Gain                  | -                 | 00.00               | -                   | 00.00             |
| <b>Balance As At 30 June 2022</b> | <b>77,600,000</b> | <b>00.00</b>        | <b>4,427,289</b>    | <b>82,027,289</b> |

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



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**Name: Galgalo Jarso Jillo**  
**Administrator of the Fund**



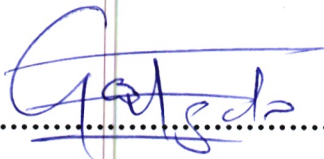
.....

**Name: Mariam Abdalla Bunu**  
**ICPAK Member Number: 20519**

**Tana River County Staff Car Loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement Of Cash Flows For The Year Ended 30 June 2022**

|   | Note  | 2021-2022         | 2020-2021          |
|---|-------|-------------------|--------------------|
|   |       | Kshs              | Kshs               |
| <b>Cash flows from operating activities</b>                   |       |                   |                    |
| <b>Receipts</b>   |       |                   |                    |
| Transfers from the county government                          |       | 00.00             | 00.00              |
| Interest received   |       | 2,593,049         | 1,193,759          |
| <b>Total receipts</b>   |       | <b>2,593,049</b>  | <b>1,193,759</b>   |
| <b>Payments</b>   |       |                   |                    |
| Use of goods and services                                     | 4     | (2,503,420)       | (989,377)          |
| <b>Adjusted for:</b>  |       |                   |                    |
| Decrease/(Increase) in Accounts receivable:                   | 7     | 2,116,249         | (2,564,145)        |
| <b>Net cash flows from operating activities</b>               | a     | <b>2,205,878</b>  | <b>(2,359,763)</b> |
| <b>Cash flows from investing activities</b>                   |       |                   |                    |
| Proceeds from loan principal repayments                       |       | 8,400,000         | 2,509,028          |
| Loan disbursements paid out                                   |       | (8,400,000)       | (17,190,911)       |
| <b>Net cash flows used in investing activities</b>            | b     | <b>00.00</b>      | <b>(7,959,642)</b> |
| <b>Cash flows from financing activities</b>                   |       |                   |                    |
| Proceeds from revolving fund receipts                         |       | 00.00             | 778,372            |
| <b>Net cash flows used in financing activities</b>            | c     | <b>00.00</b>      | <b>778,372</b>     |
| <b>Net increase/(decrease) in cash &amp; cash Equivalents</b> | a+b+c | <b>2,205,878</b>  | <b>(9,541,033)</b> |
| Cash and cash equivalents at 1 July 2021.                     | 11    | 27,675,437        | 37,216,470         |
| <b>Cash and cash equivalents at 30 June 2022.</b>             | 11    | <b>29,881,315</b> | <b>27,675,437</b>  |



Name: Galgalo Jarso Jillo  
 Administrator of the Fund



Name: Mariam Abdalla Bunu  
 ICPAK Member Number: 20519

**Tana River County staff car loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**16. Statement Of Comparison Of Budget And Actual Amounts For The Period**

|                               | Original budget  | Adjustments     | Final budget     | Actual on comparable basis | Performance difference | % Utilisation |
|-------------------------------|------------------|-----------------|------------------|----------------------------|------------------------|---------------|
|                               | 2022             | 2022            | 2022             | 2022                       | 2022                   | 2022          |
| <b>Revenue</b>                | <b>Kshs</b>      | <b>Kshs</b>     | <b>Kshs</b>      | <b>Kshs</b>                | <b>Kshs</b>            |               |
| Transfers From County Govt.   | 00.00            | 00.00           | 00.00            | 00.00                      | 00.00                  |               |
| Interest Income               | 2,593,049        | 00.00           | 2,593,049        | 2,593,049                  | 00.00                  |               |
| Other Income                  | 00.00            | 00.00           | 00.00            | 00.00                      | 00.00                  |               |
| <b>Total Income</b>           | <b>2,593,049</b> | <b>(00.00)</b>  | <b>2,593,049</b> | <b>2,593,049</b>           | <b>00.00</b>           | <b>100%</b>   |
| <b>Expenses</b>               |                  |                 |                  |                            |                        |               |
| Fund Administration Expenses  | 452,000          | 00.00           | 452,000          | 452,000                    | 00.00                  |               |
| Committee allowance           | 1,210,000        | 2,900           | 1,212,900        | 1,212,900                  | 00.00                  |               |
| Loan appraisal expenses       | 153,000          | 900             | 153,900          | 153,900                    | 00.00                  |               |
| Printing and stationery       | 51,000           | (300)           | 50,700           | 50,700                     | 00.00                  |               |
| Professional services         | 725,000          | (93,000)        | 632,000          | 632,000                    | 00.00                  |               |
| Bank charges and commissions  | 2,049            | (80)            | 1,920            | 1,920                      | 00.00                  |               |
| <b>Total Expenditure</b>      | <b>2,593,049</b> | <b>(89,580)</b> | <b>2,503,420</b> | <b>2,503,420</b>           | <b>00.0</b>            |               |
| <b>Surplus For The Period</b> | <b>00.00</b>     | <b>00.00</b>    | <b>89,629</b>    | <b>89,629</b>              | <b>00.00</b>           |               |

**17. Notes to the Financial Statements**

**1. General Information**

Tana River Staff Car Loan and Mortgage Fund is established by and derives its authority and accountability from the Tana River County Government Staff Car Loan and Mortgage Regulations 2018. The Tana River Staff Car Loan and Mortgage Fund is wholly owned by the Tana River County Government and is domiciled in Kenya. The Fund's principal activity is issuance of Car Loan and to County.

**2. Statement of compliance and basis of preparation**

The Tana River County Staff Car Loan and Mortgage Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

| Standard                        | Effective date and impact:  |
|---------------------------------|---|
| IPSAS 41: Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> |

**Tana River County staff car loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

| Standard                                | Effective date and impact:  |
|---|---|
|   | <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p> |
| <p><b>IPSAS 42: Social Benefits</b></p> | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>  |
| <p>Amendments to Other IPSAS</p>        | <p><b>Applicable: 1st January 2023:</b></p>   |

**Tana River County staff car loan and mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

| Standard  | Effective date and impact:   |
|---|--|
| <p>resulting from<br/> IPSAS 41, Financial<br/> Instruments</p> | <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>   |
| <p>Other improvements<br/> to IPSAS</p>                         | <p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p> |
| <p>IPSAS 43</p>   | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases</p>   |

**Tana River County staff car loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

| Standard  | Effective date and impact:  |
|---|---|
|   | <p>have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>  |
| <p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p> | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p> |

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

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

Transfers from other government entities

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

##### **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.

##### **b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 22/06/2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. However, the Fund did not receive any additional appropriations for the FY 2021-2022.

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

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.

***Summary Of Significant Accounting Policies (Continued)***

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Tana River County Staff Car Loan and Mortgage recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**e) 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 Entity 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.

***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 Entity 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity 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 Entity 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)***

**f) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**g) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

***Contingent liabilities***

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

**Summary Of Significant Accounting Policies (Continued)**

**Contingent assets**

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

**h) Nature and purpose of reserves**

The Tana River County Staff Car Loan and Mortgage fund creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**i) Changes in accounting policies and estimates**

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

**j) Employee benefits – Retirement benefit plans**

The Tana River County Staff Car Loan and Mortgage fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to Tana River County Staff Car Loan and Mortgage fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

***Summary Of Significant Accounting Policies (Continued)***

**l) 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.

**m) Related parties**

The Tana River County Staff Car Loan and Mortgage regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**n) 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 Equity Bank Ltd. 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.

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The Tana River County Staff Car Loan and Mortgage is a County Public Fund established by the Staff Car Loan and Mortgage regulation 2018. (*County Government Regulation*) under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Tana River.

**r) Currency**

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

**Summary Of Significant Accounting Policies (Continued)**

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

The preparation of the Tana River County Staff Car Loan and Mortgage fund financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

**a) Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Tana River County Staff Car Loan and Mortgage fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Tana River County Staff Car Loan and Mortgage 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

**c) Provisions**

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

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

**6. Notes To The Financial Statements**

**1. Transfers from County Government**

| Description                                | 2021-2022    | 2020-2021    |
|--|--------------|--------------|
|  | Kshs         | Kshs         |
| Transfers From County Govt. –Operations    | 00.00        | 00.00        |
| Payments By County On Behalf Of The Entity | 00.00        | 00.00        |
| <b>Total</b>                               | <b>00.00</b> | <b>00.00</b> |

**2. Interest income**

| Description                         | 2021-2022        | 2020-2021        |
|-------------------------------------|------------------|------------------|
|                                     | Kshs             | Kshs             |
| Interest Income From Mortgage Loans | 2,593,049        | 1,130,789        |
| Interest Income From Car Loans      | 00.00            | 62,968           |
| <b>Total Interest Income</b>        | <b>2,593,049</b> | <b>1,193,757</b> |

*This is interest charged on staff mortgage and car loans are at the rate of 0.0025 per month on reducing balance.*

**3. Other income**

| Description                          | 2021-2022    | 2020-2021    |
|--------------------------------------|--------------|--------------|
|                                      | Kshs         | Kshs         |
| Insurance Recoveries                 | 00.00        | 00.00        |
| Income From Sale Of Tender Documents | 00.00        | 00.00        |
| Miscellaneous Income                 | 00.00        | 00.00        |
| <b>Total Other Income</b>            | <b>00.00</b> | <b>00.00</b> |

**Tana River County staff car loan and mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**4. Use of Goods and Services**

| Description                 | 2021/22          | 2020/21        |
|-----------------------------|------------------|----------------|
|                             | Kshs.            | Kshs.          |
| General Office Expenses     | 00.00            | 00.00          |
| Loan Processing Costs       | 153,900          | 00.00          |
| Professional Services Costs | 632,000          | 00.00          |
| Administration Fees         | 452,000          | 457,200        |
| Committee Allowances        | 1,212,900        | 308,000        |
| Bank Charges                | 1,920            | 1,377          |
| Catering services           | 0                | 133,000        |
| Computer maintenance        | 0                | 26,000         |
| Printing And Stationery     | 50,700           | 63,800         |
| <b>Total</b>                | <b>2,503,420</b> | <b>989,377</b> |

**5. Depreciation and Amortization Expense**

| Description                  | 2021/22       | 2020/21       |
|------------------------------|---------------|---------------|
|                              | Kshs.         | Kshs.         |
| Property Plant and Equipment | 60,838        | 60,831        |
| Intangible Assets            | 00.00         | 00.00         |
| <b>Total</b>                 | <b>60,838</b> | <b>60,831</b> |

**Tana River County staff car loan and mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**6. Cash and cash equivalents**

| Description                            | 2021-2022         | 2020-2021         |
|--|-------------------|-------------------|
|  | Kshs              | Kshs              |
| Car loan and Mortgage Account          | 29,881,315        | 27,675,437        |
| Fixed Deposits Account                 | 00.00             | 00.00             |
| <b>Total Cash And Cash Equivalents</b> | <b>29,881,315</b> | <b>27,675,437</b> |

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

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

| Financial Institution     | Account number | 2021-2022         | 2020-2021         |
|---------------------------|----------------|-------------------|-------------------|
|                           |                | Kshs              | Kshs              |
| <b>a) Current Account</b> |                |                   |                   |
| Kenya Commercial Bank     |                | 00.00             | 00.00             |
| Equity Bank               | 1210277984993  | 29,881,315        | 27,675,437        |
| <b>Sub- Total</b>         |                | <b>29,881,315</b> | <b>27,675,437</b> |
| <b>b) Others(Specify)</b> |                |                   |                   |
| Cash In Transit           |                | 00.00             | 00.00             |
| Cash In Hand              |                | 00.00             | 00.00             |
| <b>Sub- Total</b>         |                | <b>00.00</b>      | <b>00.00</b>      |
| <b>Grand Total</b>        |                | <b>29,881,315</b> | <b>27,675,437</b> |

**Tana River County staff car loan and mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**7. Receivables from exchange transactions**

| Description   | 2021-2022         | 2020-2021         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| <b>Current Receivables</b>                          |                   |                   |
| Interest Receivable                                 | 4,557,047         | 2,564,145         |
| Current Loan Repayments Due                         | 2,593,049         |                   |
| Other Exchange Debtors                              | 00.00             | 00.00             |
| Less: Impairment Allowance                          | (00.00)           | (00.00)           |
| <b>Total Current Receivables</b>                    | <b>7,150,096</b>  | <b>2,564,145</b>  |
|   |                   |                   |
| <b>Non-Current Receivables</b>                      |                   |                   |
| Long Term Loan Repayments Due                       | 46,876,896        | 51,510,578        |
| <b>Total Non- Current Receivables</b>               | <b>46,876,896</b> | <b>51,510,578</b> |
| <b>Total Receivables From Exchange Transactions</b> | <b>54,026,992</b> | <b>54,074,723</b> |

**Additional disclosure on interest receivable**

| Description  | 2021-2022  | 2020-2021  |
|--|------------|------------|
|  | Kshs       | Kshs       |
| <b>Interest Receivable</b>   |            |            |
| Interest receivable from current portion of long-term loans of previous years          | 596,864    | 721,234    |
| Accrued interest receivable from of long-term loans of previous years                  | 2,560,862  | 2,088,337  |
| Interest receivable from current portion of long-term loans issued in the current year | 2,593,049  | 1,193,757  |
| <b>Current loan repayments due</b>   |            |            |
| Current portion of long-term loans from previous years                                 | 10,410,469 | 9,231,270  |
| Accrued principal from long-terms loans from previous periods                          | 47,401,427 | 42,240,971 |
| Current portion of long-term loans issued in the current year                          | 8,400,000  | 17,190,911 |

***Tana River County Staff car loan and mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**  
**Notes To The Financial Statements (Continued)**

**8. Property, plant and equipment**

|                                     | <b>Furniture and fittings</b> | <b>Computers and office equipment</b> | <b>Total</b>      |
|-------------------------------------|-------------------------------|---------------------------------------|-------------------|
| <b>Cost</b>                         | <b>KShs</b>                   | <b>KShs</b>                           | <b>KShs</b>       |
|                                     | <b>12.5%</b>                  | <b>33.33%</b>                         |                   |
| <b>At 30<sup>th</sup> June 2021</b> | <b>300,000</b>                | <b>70,000</b>                         | <b>370,000</b>    |
| Additions                           | 00.00                         | 00.00                                 | 00.00             |
| Disposals                           | (00.00)                       | (00.00)                               | (00.00)           |
| Transfers/adjustments               | 00.00                         | 00.00                                 | 00.00             |
| <b>At 30<sup>th</sup> June 2022</b> | <b>300,000</b>                | <b>70,000</b>                         | <b>370,000.00</b> |
| <b>Depreciation and impairment</b>  |                               |                                       |                   |
| <b>At 30<sup>th</sup> June 2021</b> | <b>(75,000)</b>               | <b>(46,662)</b>                       | <b>(121,662)</b>  |
| Depreciation                        | (37,500)                      | (23,338)                              | (60,838)          |
| Impairment                          | (00.00)                       | (00.00)                               | (00.00)           |
| <b>At 30<sup>th</sup> June 2022</b> | <b>(112,500)</b>              | <b>(70,000)</b>                       | <b>(182,500)</b>  |
| <b>Net book values</b>              | <b>187,500</b>                | <b>00.00</b>                          | <b>187,500</b>    |

**Tana River County Government Staff Car loan and mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**9. Cash generated from operations**

|   | 2021-2022        | 2020-2021      |
|---|------------------|----------------|
|   | Kshs             | Kshs           |
| <b>Surplus/ (Deficit) For the Year Before Tax</b> | <b>28,791</b>    | <b>143,551</b> |
| <b>Adjusted For:</b>                              |                  |                |
| Depreciation                                      | 60,838           | 60,831         |
| Interest income                                   | 2,593,049        |                |
| <b>Working Capital Adjustments</b>                |                  |                |
| Increase In Receivables                           | (476,800)        | 00.00          |
| <b>Net Cash Flow From Operating Activities</b>    | <b>2,205,878</b> | <b>204,382</b> |

**Tana River County Staff Car loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures**

**10. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

|                                 | 2021-2022 | 2020-2021 |
|---------------------------------|-----------|-----------|
|                                 | Kshs      | Kshs      |
| Transfers From Related Parties' | 00.00     | 00.00     |
| Transfers To Related Parties    | 00.00     | 00.00     |

**c) Key management remuneration**

|                             | 2021-2022    | 2020-2021    |
|-----------------------------|--------------|--------------|
|                             | Kshs         | Kshs         |
| Board Of Trustees           | 00.00        | 00.00        |
| Key Management Compensation | 00.00        | 00.00        |
| <b>Total</b>                | <b>00.00</b> | <b>00.00</b> |

**d) Due from related parties**

|                            | 2021-2022    | 2020-2021    |
|----------------------------|--------------|--------------|
|                            | Kshs         | Kshs         |
| Due From Parent Ministry   | 00.00        | 00.00        |
| Due From County Government | 00.00        | 00.00        |
| <b>Total</b>               | <b>00.00</b> | <b>00.00</b> |

**Tana River County Staff Car loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

**e) Due to related parties**

|                                 | 2021-2022    | 2020-2021    |
|---------------------------------|--------------|--------------|
|                                 | Kshs         | Kshs         |
| Due To Parent Ministry          | 00.00        | 00.00        |
| Due To County Government        | 00.00        | 00.00        |
| Due To Key Management Personnel | 00.00        | 00.00        |
| <b>Total</b>                    | <b>00.00</b> | <b>00.00</b> |

**11. Contingent assets and contingent liabilities**

| Contingent Liabilities      | 2021-2022    | 2020-2021    |
|-----------------------------|--------------|--------------|
|                             | Kshs         | Kshs         |
| Court Case Against The Fund | 00.00        | 00.00        |
| Bank Guarantees             | 00.00        | 00.00        |
| <b>Total</b>                | <b>00.00</b> | <b>00.00</b> |

*(Give details)*

**Other Disclosures Continued**

**12. Financial risk management**

The Tana River County Staff Car Loan and Mortgage 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 Tana River County Staff Car Loan and Mortgage Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Tana River County Staff Car Loan and Mortgage 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

**Tana River County Staff Car loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

by the Tana River County Staff Car Loan and Mortgage fund management based on prior experience and their assessment of the current economic environment.

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

|  | Total amount<br>Kshs | Fully<br>performing<br>Kshs |
|--|----------------------|-----------------------------|
| <b>At 30 June 2022</b>                 |                      |                             |
| Receivables From Exchange Transactions | 51,958,474           | 26,958,474                  |
| Bank Balances                          | 29,881,315           | 29,881,315                  |
| <b>Total</b>                           | <b>81,839,789</b>    | <b>56,839,789</b>           |
| <b>At 30 June 2021</b>                 |                      |                             |
| Receivables From Exchange Transactions | 54,074,723           | 29,074,723                  |
| Bank Balances                          | 27,675,437           | 27,675,437                  |
| <b>Total</b>                           | <b>81,750,160</b>    | <b>56,750,160</b>           |

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

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

The board of trustees sets the Tana River County Staff Car Loan and Mortgage 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 Tana River County Staff Car Loan and Mortgage Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Tana River County Staff Car Loan and Mortgage fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Tana River County Staff Car Loan and Mortgage 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.

**Tana River County Staff Car loan and Mortgage Scheme Fund  
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|                               | Less than 1<br>month | Between 1-<br>3 months | Over 5<br>months | Total        |
|-------------------------------|----------------------|------------------------|------------------|--------------|
|                               | Kshs                 | Kshs                   | Kshs             | Kshs         |
| <b>At 30 June 2022</b>        |                      |                        |                  |              |
| Trade Payables                | 00.00                | 00.00                  | 00.00            | 00.00        |
| Current Portion Of Borrowings | 00.00                | 00.00                  | 00.00            | 00.00        |
| Provisions                    | 00.00                | 00.00                  | 00.00            | 00.00        |
| Employee Benefit Obligation   | 00.00                | 00.00                  | 00.00            | 00.00        |
| <b>Total</b>                  | <b>00.00</b>         | <b>00.00</b>           | <b>00.00</b>     | <b>00.00</b> |
| <b>At 30 June 2021</b>        |                      |                        |                  |              |
| Trade Payables                | 00.00                | 00.00                  | 00.00            | 00.00        |
| Current Portion Of Borrowings | 00.00                | 00.00                  | 00.00            | 00.00        |
| Provisions                    | 00.00                | 00.00                  | 00.00            | 00.00        |
| Employee Benefit Obligation   | 00.00                | 00.00                  | 00.00            | 00.00        |
| <b>Total</b>                  | <b>00.00</b>         | <b>00.00</b>           | <b>00.00</b>     | <b>00.00</b> |

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Tana River County Staff Car Loan and Mortgage fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

There has been no change to the Tana River County Staff Car Loan and Mortgage fund exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

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

**Tana River County Staff Car loan and Mortgage Scheme Fund**

**Annual Report and Financial Statements for the year ended June 30, 2022**

The carrying amount of the Tana River County Staff Car Loan and Mortgage fund foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

|  |              | Other<br>currencies | Total        |
|--|--------------|---------------------|--------------|
|  | Kshs         | Kshs                | Kshs         |
| <b>At 30 June 2021</b>                 |              |                     |              |
| Financial Assets                       | 00.00        | 00.00               | 00.00        |
| Investments                            | 00.00        | 00.00               | 00.00        |
| Cash                                   | 00.00        | 00.00               | 00.00        |
| Debtors/ Receivables                   | 00.00        | 00.00               | 00.00        |
| <b>Liabilities</b>                     |              |                     |              |
| Trade And Other Payables               | 00.00        | 00.00               | 00.00        |
| Borrowings                             | 00.00        | 00.00               | 00.00        |
| Net Foreign Currency Asset/(Liability) | <b>00.00</b> | <b>00.00</b>        | <b>00.00</b> |

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Tana River County Staff Car Loan and Mortgage 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.

|             | Change in<br>currency rate | Effect on surplus/<br>deficit | Effect on<br>equity |
|-------------|----------------------------|-------------------------------|---------------------|
|             | Kshs                       | Kshs                          | Kshs                |
| <b>2022</b> |                            |                               |                     |
| Euro        | 10%                        | 00.00                         | 00.00               |
| USD         | 10%                        | 00.00                         | 00.00               |
| <b>2021</b> |                            |                               |                     |
| Euro        | 10%                        | 00.00                         | 00.00               |
| USD         | 10%                        | 00.00                         | 00.00               |

**Tana River County Staff Car loan and Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Tana River County Staff Car Loan and Mortgage fund 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 Tana River County Staff Car Loan and Mortgage Fund's deposits.

**Management of interest rate risk**

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

**Sensitivity analysis**

The Tana River County Staff Car Loan and Mortgage 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.

**d) Capital risk management**

The objective of the Tana River County Staff Car Loan and Mortgage Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

|   | 2021-2022         | 2020-2021         |
|---|-------------------|-------------------|
|   | Kshs              | Kshs              |
| Revaluation reserve                         | 00. 00            | 00.00             |
| Revolving fund                              | 77,600,000        | 77,600,000        |
| Accumulated surplus                         | 4,427,289         | 4,398,498         |
| <b>Total funds</b>                          | <b>82,027,289</b> | <b>81,998,498</b> |
|   |                   |                   |
| Total borrowings                            | 00.00             | 00.00             |
| Less: cash and bank balances                | (29,881,315)      | (27,675,437)      |
| Net debt/(excess cash and cash equivalents) | 52,145,974        | 54,323,058        |
| <b>Gearing</b>                              | <b>63.57%</b>     | <b>66.24%</b>     |

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**18. Progress On Follow Up Of Prior Year Auditor's Recommendations**

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

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments  | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|-----------------------------------|--|
| 4.(i)                                      | A mortgage payment Of Ksh 14,690,911 did not show documentary evidence of payment of Stamp duty, tittle deeds and transfer documents that were used to register a charge  | The applicant has signed the offer letter in respect to the mortgage facility advanced.<br><br>He has also issued us with an allotment letter for his property in Hola as security for the loan.<br><br>The fund administrator is working with his advocate in ensuring a legal charge is duly registered. | Not resolved                      | 30th May 2023.   |
| 4(ii)                                      | Application documents for car loan amounting to Ksh 2,500,000/= for the purchase of Toyota Hilux double Cabin engine number 2KDA627925 From SAS Africa Trading Co,Ltd did not contain Loan appraisal forms,a loan contract agreement ,insurance documents and | The applicant has filled the loan application forms, and signed the loan contract agreement.<br><br>He has cleared off the Car loan facility.  | Resolved                          | 30 <sup>th</sup> May 2023  |

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|        |  |  |          |  |
|--------|--|--|----------|--|
|        | motor vehicle logbook.   |  |          |  |
| 4(iii) | No documentary evidence was provided to show that the members of the fund that was advanced a loan amounting to Ksh 17,190,911 had signed an irrevocable letter of undertaking assigning their pension and gratuity dues to be used to offset the loans advanced to them in the event of Job loss or when one became unable to service the loans regularly contrary to Section 11(2) of the Tana River County Staff Car loan and Mortgage Scheme regulations 2018. | The applicants have filled the irrevocable letters and signed loan contract documents.   | Resolved |  |
| 4(iv)  | Two fund members were advanced loans amounting to Ksh 11,000,000 each receiving Ksh 5,500,000/= with the contract duration signed as 84 months . Though the staff personal files were not availed for review, the salary and Remuneration Commission Circular ref.no. SRC/TS/CGOVT/  | The two applicants have signed the loan contract documents. In addition they have also appended their signature on the irrevocable letters of undertaking, thus committing their pensions / gratuity to clear the loan facility in the event of default. | Resolved |  |

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|      |  |  |              |  |
|------|--|--|--------------|--|
|      | <p>3/61 Vol. iv (49) set contract term limit as six years for County Public Service Board. In the circumstances, it was not possible to ascertain how the 12-Months loan that falls after their contract will be recovered.</p>  |  |              |  |
| 5(i) | <p>Messrs. John Bwire and Associate</p> <p>The loan application form showing details of the applicant such as name, personal file number, amount applied, facility to be financed and duration of the loan was not availed for audit review. In addition, valuation report, evidence of payment of stamp duties, irrevocable undertaking, official search documents, appraisal forms, title deeds and transfer documents that were used to register a charge against the sum borrowed of Ksh 35,000,000/= were not availed for audit review.</p> | <p>The applicant has filled the loan application form which captures all the relevant details regarding the mortgage loan application of Ksh 35Million.</p> <p>The fund administrator is working together with the clients advocate to resolve all the issues pertaining to registration of the charge, transfer documents and payment of stamp duties .</p> | Not Resolved |  |

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|       |   |   |               |                           |
|-------|---|---|---------------|---------------------------|
| 5(ii) | <p>According to loan amortization schedule provided for audit review for the Ksh 35 Million advanced, an amount of Ksh 14,830,576/= was expected to have been repaid as at 30<sup>th</sup> June 2021. However loan repayment schedules indicate that only Kshs 2, 815, 571 had been recovered, the balance of Ksh 12,015,005 remained un paid as at 30<sup>th</sup> June 2021. In addition, payslips of the loanee to confirm whether the loan is repaid through monthly deduction from the borrowers salary was not provided for audit review.</p> | <p>The loan management committee has raised the issue of the loan arrears with the principal borrower. The repayment plans are yet to be implemented. The current loan repayments are deducted from his salary and reflects on the payslip.</p> | Not Resolved. | 30 <sup>th</sup> May 2023 |
| 6     | <p>Un-vouched expenditure. Payment vouchers and their supporting documents worth Kshs 765,200 and Ksh 285,008 relating to fund administrative expenses and stationeries respectively were not availed for audit review.</p>   | <p>The outgoing fund administrator has not yet accounted for the vouchers.</p>  | Not Resolved  | 30 <sup>th</sup> May 2023 |

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|   |  |  |                     |                                 |
|---|--|--|---------------------|---------------------------------|
| 7 | <p>Property, plant and Equipment</p> <p>Property, plant and equipment costing Ksh 248,338 as at 30<sup>th</sup> June 2021. The serial number of computers and printers were not recorded in the asset register. All the assets were not coded or tagged for ease of identification and tracking.</p> | <p>The outgoing fund administrator has not accounted for the assets.</p> | <p>Not Resolved</p> | <p>30<sup>th</sup> May 2023</p> |
|---|--|--|---------------------|---------------------------------|