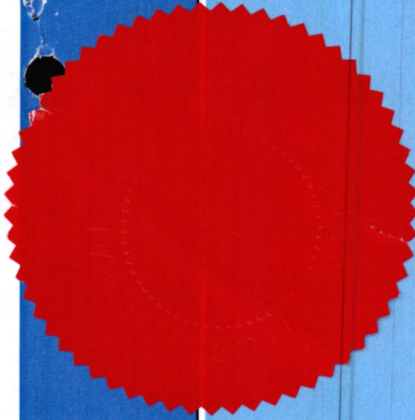


REPUBLIC OF KENYA



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REPORT

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ON

**KWALE COUNTY ASSEMBLY MEMBERS
AND STAFF LOAN SCHEME FUND**

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

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**KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME
FUND**

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

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



Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Entity Information and Management

a) Background information

The Kwale County Assembly Members and Staff Loan Scheme Fund is established by and derives its authority and accountability from the Kwale County Assembly Members and Staff Loan Scheme Act 2016 and provision of Section 116 of the PFM Act 2012. The Fund is wholly owned by the County Government of Kwale and is domiciled in Kenya.

The Fund is managed through a Committee. The Committee is composed of two Members of the County Assembly (MCAs) who are appointed by the speaker and three Staff members, two of whom are appointed by the Clerk.

The fund's objective is to provide descent residential housing and motor vehicles for transport to its members.

The Fund's principal activity is to disburse and manage loans to members.

b) Principal Activities

The Kwale County Assembly Members and staff loan Scheme fund is envisioned to see empowered mobility and descent residence of its members in the county through provision of affordable car loans and mortgage facilities.

The principal activity/mission/ mandate of the Fund is to disburse and manage loans to members in the following forms;

1. Mortgage loan
2. Car Loan

c) Fund Administration Committee

Ref	Name	Position
1	Sawa Hamisi Ngalaa	Chair person
2	Fatuma Hassan Mwalupa	Fund Administrator
3	Hon.Alfred Ruwa Bavu	Member
4	Hon.Teresia Bahati Muoki	Member
5	Fatuma Mwinyi kingi	Member

Key Entity Information and Management Continued

d) Key Management

Ref	Name	Position
1	Fatuma Hassan Mwalupa	Fund Administrator
2	CPA Philip Wanje Ziro	Fund Accountant

e) Registered Offices

P.O. Box 231-80403
County Assembly Building
Kwale-Kinango Road/Highway
Kwale, KENYA

f) Fund Contacts

Telephone: (254)714912610
E-mail: info@kwaleassembly.go.ke
Website: www.kwaleassembly.go.ke

g) Fund Bankers

1. Kenya Commercial Bank
P.O. Box 43-80403
Kwale, Kenya
2. Family Bank of Kenya
Nkruma Road Branch
Mombasa






h) Independent Auditors

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



i) Principal Legal Adviser

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

2. The Fund Administration Committee

Name	Details of qualifications and experience
 1. Sawa Hamisi Ngalaa	Chairman of the Fund Committee and a senior clerk to the County Assembly of Kwale. Mr. Sawa holds a bachelor's degree in business from Methodist University. He boasts a wealth of experience in parliamentary procedures and has been the Chairman for Kwale Civic Workers Sacco for over 10 years.
 2. Fatuma Hassan Mwalupa	Fatuma Hassan Mwalupa is the Ag. Clerk of the County Assembly of Kwale and also the Fund Administrator. She is a lawyer by profession and holds a law degree from the university of Dare-esalam
 3. Hon. Alfred Bavu	A Member of the Fund and a re-owned law maker of the County Assembly of Kwale representing the people of Kinango Ward. A teacher by profession with a wealthy of teaching experience.
 4. Hon. Teresia B. Muoki	A Member of the Fund and a re-owned law maker of the County Assembly of Kwale representing special interest group. Previously worked with NGO world in managerial capacity.
 5. Fatuma Kingi	A Member of the Fund and a legal drafter of the County Assembly of Kwale. Holds a bachelor's degree in law from Kampala University.

3. Management Team

Name	Details of qualifications and experience
 <p>1. Fatuma Mwalupa</p>	<p>Fatuma Hassan Mwalupa is the Ag. Clerk of the County Assembly of Kwale and also the Fund Administrator. She is a lawyer by profession and holds a law degree from the university of Dar-es-salaam.</p>
 <p>2. CPA Philip Wanje Ziro</p>	<p>Philip Ziro is the Director Finance & Accounts to the County Assembly of Kwale.</p> <p>He has a wide experience in public sector finance having worked for various municipalities and County Councils for over 20 years before devolution.</p> <p>He holds a Bachelors and a Master's degree in Business Administration from the Kenya Methodist University specialising in finance.</p> <p>He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>

4. Board/Fund Chairperson's Report

The year 2021/2022 was electioneering period hence most of our clients i.e MCAs were exiting hence there was need for smooth transition. This led to our focus on timely recoveries and reconciliations for the outgoing members which went on successful.

During the year 2020/2021, The fund contributed Kshs 30,000,000 to CRF to facilitate the grant and recorded in our books as receivables. We wish to report that, these funds were received back in the FY 2021/2022 from the Controller of Budget.

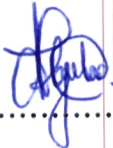
The year under review had some challenges where the Fund Manager was taken into disciplinary leave by the CASB hence creating a sight gap in the affairs and management of the fund. However, this was sorted and the Clerk was appointed by the CEC to act as the Fund Manager.

We are expecting an upward trajectory in FY 2022/2023 in terms of loan requisition due to the introduction of the new members after the electioneering period has ended.

I take this opportunity to thank all the committee members who dedicated their time and energy to ensure quality service delivery and meeting the fund's Scheme's objective. It was not easy, but the success we recorded was through your collaborative effort. I must say a big thank you.

A big thank to our esteemed clients whose presence ensured that we had someone to serve. Above all, to the entire management of county Assembly who provided invaluable input whenever sought to do so.

I look forward to your support in the year 2022/2023 as we endeavour to put a roof and power mobility to you, our esteemed clients. God bless you all.



.....
Sawa Hamisi Ngalaa

Chairperson

5. Report of The Fund Administrator

The County Assembly is operationalizing a fund scheme for the purpose of enabling its member's access loans to purchase cars and acquire housing facilities.

The operations of the fund are guided by the County Assembly Members and Staff loan scheme Act 2016 and as subsequently amended. There is a committee which manages the day today affairs of the fund. The committee membership is composed of five Members, three being members of the staff, one of whom shall be the chairman, and two members from among the Members of the county Assembly.

The County Assembly of Kwale Fund had an income budget of Kshs. 5,400,000 and an expenditure budget of Kshs. 14,735,000. The actual income realized was Kshs. 6,560,317 translating to 121% on actual comparable basis while the actual expenditure was Kshs. 14,093,691 translating to 96% on comparable basis.

One of the strengths of the fund has been its ability to maximise on monthly loan recoveries. In this regard the fund managed to recover a total of Kshs 30,013,229 of which Kshs 3,404,612 was recovered from car loan division and Kshs 26,608,617 was recovered from the mortgage division. As a revolving fund, the recoveries were further applied to disburse a total principal loan of Kshs 23,200,000 of which Kshs 1,500,000 was disbursed under the Car loan facility and Kshs 21,700,000 under the Mortgage facility.

The main source of revenue of the fund is interest income. During the year total of Kshs 6,560,317 was realized as interest income. The major contributor was the mortgage unit which realised a total of Kshs. 5,960,131 followed by car loan unit with a performance of Kshs 600,186.

The total expenses of the fund during the year amounted to Kshs. 14,093,691 and realised a net deficit for the year of kshs. 7,533,374.

Three beneficiaries of the fund ceased to be employees of the County Assembly; Hon. Juma Maone, Mr. Denis Mutui, Mr. William Mjape and Mr. Ali Massemo who have loans which are slowly or not serviced amounting to Ksh 3,914,868 for Car Loan & Ksh. 18,806,299.76 for Mortgage Loan. The management is in the process of instituting legal procedures towards recovery



Fatuma Hassan Mwalupa

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 Kwale County Assembly is operating a loan scheme fund as anchored in the Kwale County Assembly Members & Staff Loan Scheme Fund Act 2016. The Fund has two main objectives:

- a) Offer loans for Mortgages
- b) Offer loans to buy cars

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loan	To improve on mobility to and from work places.	Efficient time management in mobility.	Number of Loan applied	100% disbursement for all loans applied.
Mortgage Loan	To improve living standards through provision of loans for houses.	Improved living standards and shelter.	Number of Loans applied.	95% disbursement for all loans applied.

7. Corporate Governance Statement

The Kwale County Assembly Members and Staff Loan Scheme Fund is established by and derives its authority and accountability from the Kwale County Assembly Members and Staff Loan Scheme Act 2016 and provision of Section 116 of the PFM Act 2012. The Fund is wholly owned by the County Government of Kwale and is domiciled in Kenya.

The Fund is managed through a Committee. The Committee is composed of two Members of the County Assembly (MCAs) who are appointed by the speaker and three Staff members, two of whom are appointed by the Clerk.

The Loan Management Committee is responsible for the general administration and management of the affairs of the Fund and specifically, the Committee is responsible for;

- a) Making recommendations with respect to the conditions under which a loan and or a mortgage shall be granted or repaid under this Act;
- b) receiving applications for the granting of Car loans and mortgages to Members and staff of the County Assembly subject to the provisions of any agreement relating to the provision of the loan and or mortgage;
- c) Supervising the day-to-day running of the Fund;
- d) consider and review quarterly reports on the progress of the Fund as forwarded to the committee by the fund manager;
- e) through the Fund Manager, Liaise with the financial institutions;
- f) Generally doing all that is expedient or necessary for the proper exercise of other duties and functions with respect to the fund;
- g) Advise on the general performance of the fund;
- h) undertake all acts towards the attainment of the objects of this Fund and Act

During the year under review, the Committee held twelve meetings to deliberate on the conduct of the Fund as well as Loan approvals by the members. The committee members including the secretariat who attended the all the 12 meetings were;

- i. Mr. Sawa Ngalaa – Chairman
- ii. Ms. Fatuma Kingi- Member
- iii. Hon. Teresia Muoki- Member
- iv. Hon. Alfred Bavu-Member
- v. Mdm. Fatuma Mwalupa- Fund Manager
- vi. Mr. Pilani Mngumi- Secretariat
- vii. Ms. Salya Mboti-Secretariat

Although the Fund has not yet established a well elaborated succession plan, the Act guides on how new members will be appointed and incorporated in the Fund Committee. Under whatever circumstance, the Fund will remain a going concern as regards to its operations.

The Fund Committee members does not receive direct salaries from the Fund but rather receives committee sitting allowances as stipulated by the SRC Circular.

Corporate Governance Statement Continued....

Through the PFM Act and Kwale County Assembly Members and staff Car Loan & Mortgage Act guides the undertaking and running of the Fund hence limiting any kind of conflict of interest.

Since the core mandate is to issue car loan & Mortgage to members and staff, the committee has tried to control the spending through the fund. The committee has limited the expenditure on induction and trainings to members during the year under review, but they have allocated much budget for the coming new MCA's so as to conduct induction and trainings.

The conduct and governance of the Fund has been stipulated in the Act and the regulations of the Fund. The members are guided by the code of ethics which they signed during their employment period. Through the guidance, the committee normally submits its quarterly and yearly reports to the National Treasury as well as Office of Auditor General so as to abide by the rule of law.

8. Management Discussion and Analysis

The Fund has a total Capital of Kshs. 204,620,812 comprising of a revolving Fund of Kshs. 197,430,000 and an Accumulated surplus of Kshs. 7,190,812.

The demand for new loans is more likely to increase due the introduction of new members of the County Assembly the Fund might not currently support. The Management is considering seeking for more funds through the county Assembly budget to replenish the reduced fund.

The fund is in strict compliance with the PFM Act and the County Assembly Members and Staff loan scheme Act 2016 which guides the operation of the Fund.

The Fund is facing risk of loan defaulters especially for those beneficiaries who ceased to be employees of the County Assembly of Kwale. However, the Management and the Committee has taken legal steps towards recovery of the defaulted amounts.

9. Environmental and Sustainability Reporting

Kwale County Assembly 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 three 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 management wishes to state that, for the Fund to remain a going concern and sustainable, they have embarked on various strategies including but not limited to cutting the unnecessary operational costs, do timely recoveries, engage legal means to deal with defaulters, manage the political temperatures within the organisation etc.

2. Environmental performance

The Management through the Members of the County Assembly will push for laws to strengthen the Environmental department to enforce the stipulated policies.

3. Employee welfare

Our ambition of high performance calls for us to create an enabling environment that spurs engagement through high performing teams, continuous learning and inclusive culture. Our key priority is to futureproof our people by equipping them with the necessary skills and tools so that they can stay ahead of the curve in this rapidly disruptive era of digital adoption and transformation. People are at the heart of our operations. We provide an enabling workplace environment to attract, retain and grow young and fresh minds, as well as develop a highly skilled workforce that leads to creation of value.

10. Report of The Fund Administration Committee

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are issuance of car loan and mortgage loan.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1

Trustees

The members of the Fund Administration Committee who served during the year are shown on page iii.

Auditors

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

By Order of the Board



.....
Chair of the Fund Administration Committee

Date: 21 Nov 2022

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 the County Assembly of Kwale Members and Staff Loan Scheme Act 2016, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

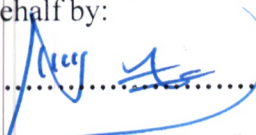
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 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 Kwale Members and Staff Loan Scheme Act 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 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 21 Nov 2022 2022 and signed on its behalf by:

.....


Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale County Assembly Members and Staff Loan Scheme Fund set out on pages 1 to 34, which comprise of the

statement of financial position as at 30 June, 2022, and the statement financial performance, statement of changes in net assets, statement of cash flows and the 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 Kwale County Assembly Members and Staff Loan 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 Act, 2012 and the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016.

Basis for Qualified Opinion

1. Unsupported Accrued Management Responsibility Allowance

The statement of financial position and as disclosed under Note 17 to the financial statements reflects trade and other payables from exchange transactions of Kshs.6,671,309. As previously reported, this amount includes Kshs.1,968,000 in respect of accrued expenses relating to Management responsibility allowance. The Fund indicated that the amount relates to responsibility allowance for the Fund Manager that has been outstanding over the years awaiting approval by the County Assembly Service Board.

The Fund has continued to carry forward the accrued allowances without a policy to support the same in line with the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016 or evidence of approval of the expenditure through a properly authorized and approved budget.

In the circumstances, the validity of trade and other payables from exchange transactions of Kshs.1,968,000 as at 30 June, 2022 could not be confirmed.

2. Expenditure on Irregular Training

The statement of financial performance reflects employee costs of Kshs.5,969,881 in respect of staff training expenses as disclosed in Note 6 to the financial statements. Review of the supporting payment vouchers revealed that the training was offered to the County Assembly employees. However, Fund Management did not explain why non-fund staff members were trained and how the Fund would benefit from their training.

In the circumstances, the validity of staff training expenses of Kshs.3,647,284 for the year ended 30 June, 2022 could not be confirmed.

3. Unapproved Budget and Budget Deficit

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.5,400,000 against actual income of Kshs.6,560,317, resulting to excess income of Kshs.1,160,317 and an expenditure budget of Kshs.14,735,000 against actual expenditure of Kshs.14,093,691, resulting to under absorption of Kshs.641,309 or (4%). However, the Management did not provide evidence to confirm that the Fund's budget was submitted to the County Executive Committee member for finance for approval, contrary to Section 149(2) of the Public Finance Management Act, 2012 (PFMA) which states that, an Accounting Officer shall, in respect of the entity, (i) submit the estimates of an entity, which is not a County Corporation, to the County Executive Committee member for finance.

Further, the Management provided unsigned minutes of 27 May, 2021 indicating that the Loans Management Committee deliberated and approved the budget. However, this responsibility is not provided in the Kwale County Assembly Staff and Members Car and Mortgage Act, 2016 as amended in 2017. In addition, the approved budget deficit of Kshs.9,335,000 resulted to actual deficit of Kshs.7,533,374, contrary to Section 94(1)a(iii) of the PFMA on serious material breach or persistent material breach of the measures established under this Act by a State organ or public entity if it has an operating deficit in excess of a percentage of revenue in the most recent financial year.

In the circumstances, the validity and lawfulness of the actual revenue of Kshs.6,560,317 and the validity of actual expenditure of Kshs.14,093,691 for the year ended 30 June, 2022 could not be confirmed.

4. Retention Funds

As previously reported, the statement of financial position reflects trade and other payables of Kshs.6,671,309, out of which Kshs.3,805,730 was in respect of refundable retention fees, being a reduction of Kshs.2,899,279 in respect of retention refund to the deductees. However, the Management did not provide details in form of cheque counterfoils and bank statements or acknowledgments to confirm the refunds.

Further, it was observed that there are varied loan deductions since the Fund did not have a clear policy on the amounts to be retained/deducted. The retentions were meant to cater for incidental costs related to transfers of property or jointly registering assets acquired by loan from the Fund. However, there was no evidence to confirm if the retentions were utilized for the intended purposes.

In addition, the Fund Management did not maintain a separate bank account for the refundable retentions.

In the circumstances, the accuracy, validity and completeness of retention balance of Kshs.3,805,730 as at 30 June, 2022 could not be confirmed.

5. Irregular Expenditure on Travel and Subsistence Allowances

The statement of financial performance and as disclosed under Note 7 to the financial statements reflects daily subsistence allowances of Kshs.6,419,000. Included in the expenditure is Kshs.4,202,800 of which the payment vouchers were not supported with program of activities, details of County Assembly staff selection criteria, duties performed, the need to undertake the activities outside the County Assembly precincts and invoices from hosting facilities/hotels.

In the circumstances, the validity and completeness of daily subsistence allowances of Kshs.4,202,800 for the year ended 30 June, 2022 could not be confirmed.

6. Unconfirmed Bank Balance

As Previously reported, the statement of financial position reflects cash and cash equivalents of Kshs.63,625,204. Included in the balance is Family Bank Account balance of Kshs.190,001. However, the balance was not supported by cashbook, and a certificate of bank balance.

In the circumstances, the accuracy and completeness of bank balance of Kshs.190,001 as at 30 June, 2022 could not be confirmed.

7. Defaulted Loans - Receivables from Exchange Transactions

The statement of financial position reflects current portion of long-term receivables from exchange transactions of Kshs.25,619,847 and long-term receivables from exchange transactions of Kshs.122,047,070 as disclosed in Note 12 to the financial statements. Included in the balances are mortgages of Kshs.24,457,401 and car loans of Kshs.4,390,819 due from two former Members of County Assembly (MCAs) and two former employees of the County Assembly. Records provided for audit indicate that the Fund through its lawyer issued demand letters on August, 2021 to a former MCA and a former employee for Kshs.6,914,869. However, no details were provided to show efforts made by Management to collect the balance of Kshs.18,806,300.

Further, evidence of action taken by the four borrowers to repay the loans, more than fourteen (14) months after the demand notice was not provided for audit verification. Further, it was not explained why no legal action has been taken to recover the loans or to refer the matter to a reputable debt collector as required by Section 31 of the Kwale County Assembly Members and Staff Loan Scheme Fund Act, 2016 which states that, more than six months default will be referred to a reputable debt collector(s) by the Loan Management Committee for recovery at the defaulter's cost.

In the circumstances, the recoverability of receivables of Kshs.28,848,220 as at 30 June, 2022 could not be confirmed and the Fund was in breach of the Law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kwale County Assembly Members and Staff Loan Scheme Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled

other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.5,400,000 and actual receipts of Kshs.6,560,317 or 121%, resulting to excess revenue of Kshs.1,160,317. The statement also reflects an expenditure budget of Kshs.14,735,000 against actual expenditure of Kshs.14,095,691 or 96%, resulting in under expenditure of Kshs.641,309 or 4%. However, the excess budget has not been explained.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not indicated any progress nor explained failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unsupported Procurement of Insurance Services

The statement of financial performance reflects use of goods and services of Kshs.8,123,810. Included in the balance and as disclosed in Note 7 to the financial statements is insurance cost of Kshs.1,464,519 being insurance costs incurred for the insurance of twenty (20) outstanding car loans of Kshs.11,132,481 and fifty-five (55) mortgages of Kshs.175,393,733. Information and documents provided for audit indicated that the Fund Management procured the services through a request for quotations.

However, the Insurance policy document/contract between the Assembly and the Insurance Company was not provided for audit review.

Further, the winning bidder's quotation dated 11 August, 2021 indicated as part of the conditions for insurance that, 'medical examination shall be required for any client whose limit exceeded Kshs.5,000,000'. However, fourteen (14) outstanding mortgages totalling Kshs.117,252,215 exceeded the limit but not supported by loanees' medical examination. This clearly indicates that the Fund paid insurance premiums for outstanding mortgages of Kshs.175,393,733 which include mortgages totalling Kshs.117,252,215 whose beneficiaries did not undergo medical examination.

In the circumstances, the validity of insurance costs of Kshs.1,464,519 for the year ended 30 June, 2022 could not be confirmed and mortgage loans of Kshs.117,252,215 may not have been insured, thereby exposing the Fund to losses.

2. Failure to Jointly Register Assets Acquired through Loan Scheme Proceeds

Note 12 to the financial statements for the year ended 30 June, 2022 reflects principal current loan repayments due of Kshs.18,907,970, comprising Kshs.6,498,077 for car loans and Kshs.12,409,893 for mortgages and principal long-term loan repayments due of Kshs.122,047,070, comprising Kshs.2,104,022 and mortgages of Kshs.119,943,048, all totalling to Kshs.140,955,040. Review of available records revealed that the repayment due receivables balance comprises twenty-seven (27) mortgages and thirteen (13) car loans. However, the following anomalies were made:

- i. Out of the twenty-seven (27) mortgages, title deeds for fifteen (15) mortgages with loan balances amounting to Kshs.78,175,268 were produced for audit. However, twelve (12) title deeds for mortgages with a total balance of Kshs.54,177,673 were not produced for audit verification.
- ii. Out of the fifteen (15) title deeds produced for audit, the Fund Management had not charged ten (10) title deeds with loan balances amounting to Kshs.53,266,918. It was also observed that eight (8) title deeds with loan balances amounting to Kshs.44,675,937 were in the names of the sellers instead of buyers.
- iii. Out of the thirteen (13) car loan balances of Kshs.8,602,099, eight (8) logbooks with loan balances of Kshs.2,779,022 were produced for audit verification whereas logbooks for five (5) vehicles with loan balances amounting to Kshs.5,823,077 were not produced for audit.
- iv. Out of the eight (8) logbooks produced for audit, one (1) logbook, with outstanding loan balance of Kshs.1,272,169 was not jointly registered with the Assembly.

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

3. Property and Motor Vehicles not Insured by the Borrowers

The statement of financial position reflects total receivables from exchange transactions of Kshs.147,666,917 as disclosed in Note 12 to the financial statements. Included in this

balance is Kshs.8,602,099 and Kshs.132,352,941 in respect of car loans and mortgages respectively. However, evidence to prove that the assets acquired through loans had been insured as required by Section 22(1) and (2) of the Kwale County Assembly Members and Staff Loan Scheme Fund, 2016 was not provided for audit verification.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance of my report, 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

Governance and Control Weaknesses in Loans Management

Audit review of the Fund's governance, internal controls and operational procedures revealed the following risks and weaknesses in loans management:

- i. There are no policy and procedures for determining the repayment amount and process of effecting the same through payroll to ensure that no member receives a loan whose repayment results in salary deductions exceeding two-thirds of the gross salary. It was observed that the Loans Committee and the Fund Administrator make unsupported adjustments to amounts repayable.
- ii. No documented loans approval process and joint registration of property as required by the Fund Act. It was noted that loans approval and disbursements are processed even when the title documents are still in the name of the sellers.
- iii. Approved loans are disbursed directly to the loan applicants and not to the motor vehicle and property sellers or contractors.
- iv. The loan applications and approvals have no commencement dates for repayments.

In the circumstances, the effectiveness of governance and internal controls of the Fund could not be confirmed.

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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

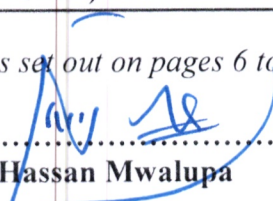
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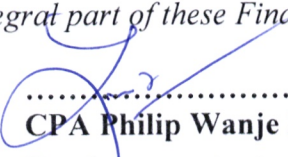
**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	6,560,317	6,222,335
Other Income	5	-	-
		6,560,317	6,222,335
Total Revenue		6,560,317	6,222,335
Expenses			
Employee Costs	6	5,969,881	-
Use of goods and services	7	8,123,810	1,749,543
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		14,093,691	1,749,543
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		(7,533,374)	4,472,792

(The notes set out on pages 6 to 33 form an integral part of these Financial Statements)

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Fatuma Hassan Mwalupa
 Administrator of the Fund

.....

CPA Philip Wanje Ziro
 Fund Accountant
 ICPAK Member Number: 20407

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	63,625,204	39,372,914
Current Portion of Long- Term Receivables From Exchange Transactions	12	25,619,847	74,855,915
Prepayments	13	-	-
Inventories	14	-	-
		89,245,051	114,228,829
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	122,047,070	106,431,766
		122,047,070	106,431,766
Total Assets		211,292,120	220,660,595
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	6,671,309	8,506,409
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		6,671,309	8,506,409
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		6,671,309	8,506,409
Net Assets		204,620,812	212,154,186
Revolving Fund		197,430,000	197,430,000
Reserves		-	-
Accumulated Surplus		7,190,812	14,724,186
Total Net Assets and Liabilities		204,620,812	212,154,186

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 21 Nov 2022 and signed by:

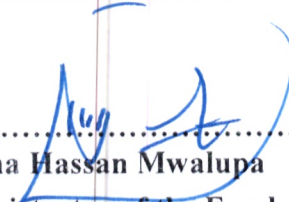
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Fatuma Hassan Mwalupa
Administrator of the Fund

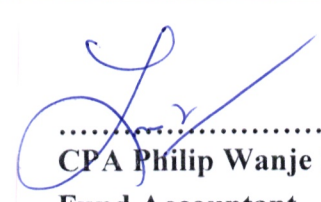
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CPA Philip Wanje Ziro
Fund Accountant
ICPAK Member Number: 20407

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	197,430,000	-	10,251,394	207,681,394
Surplus/(Deficit) For the Period	-	-	4,472,792	4,472,792
Funds Received During the Year	72,000,000	-	-	72,000,000
Transfers	(72,000,000)	-	-	(72,000,000)
Revaluation Gain				-
Balance As At 30 June 2021	197,430,000	-	14,724,186	212,154,186
Balance As At 1 July 2021	197,430,000	-	14,724,186	212,154,186
Surplus/(Deficit) For the Period	-	-	(7,533,374)	(7,533,374)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	197,430,000	-	7,190,812	204,620,812

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Fatuma Hassan Mwalupa
Administrator of the Fund

.....

CPA Philip Wanje Ziro
Fund Accountant
ICPAK Member Number: 20407

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		30,000,000	-
Interest received		3,872,056	6,222,335
Receipts from other operating activities-Unallocated funds from foreign aff		125,563	-
Total receipts		33,997,619	6,222,335
Payments			
Fund administration expenses		(5,969,881)	(100,000)
General expenses		(8,123,810)	(1,649,543)
Finance cost		-	-
Other payments			
Working Capital adjustments			
Increase/Decrease In Accounts Receivables			23,624,715
Increase/Decrease In Accounts Payables			(1,038,275)
Net cash flows from operating activities	21	19,903,928	27,059,232
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant & equipment			-
Proceeds from loan principal repayments		30,013,229	-
Loan disbursements paid out		(23,200,000)	-
Net cash flows used in investing activities		6,813,229	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		434,412	-
Repayment of borrowings		(2,899,279)	-
Net cash flows used in financing activities		(2,464,867)	-
Net increase/(decrease) in cash & cash Equivalents		24,252,290	27,059,232
Cash and cash equivalents at 1 july	11	39,372,914	12,313,682
Cash and cash equivalents at 30 june	11	63,625,204	39,372,914

There is changes in the policy as regards to cashflow from operations, from indirect method last FY to direct method this current FY.

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Fatuma Hassan Mwalupa
 Administrator of the Fund

.....
CPA Philip Wanje Ziro
 Fund Accountant

ICPAK Member Number: 20407

Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

17. 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
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	0%
Transfers From County Govt.			-	-	-	0%
Interest Income	5,400,000	-	5,400,000	6,560,317	(1,160,317)	121%
Other Income	-	-	-	-	-	0%
Total Income	5,400,000	-	5,400,000	6,560,317	(1,160,317)	121%
Expenses						
Fund Administration Expenses	6,300,000	-	6,300,000	5,969,881	330,119	95%
General Expenses	8,435,000	-	8,435,000	8,123,810	311,190	96%
Finance Cost	-	-	-	-	-	0%
Total Expenditure	14,735,000	-	14,735,000	14,093,691	641,309	96%
Surplus For The Period	(9,335,000)	-	(9,335,000)	(7,533,374)	(1,801,626)	81%

Budget notes

- The over realization of the interest income was due to changes of calculation of the defaulters interest rates based on the revised CBK interest rates instead of KRA based rates as per earlier provided.*

18. Notes to the Financial Statements

1. General Information

The Kwale County Assembly Members and Staff Loan Scheme Fund is established by and derives its authority and accountability from Kwale County Assembly Members and Staff Loan Scheme Act 2016 and provision of Section 116 of the PFM Act 2012. The entity is wholly owned by the County Government of Kwale and is domiciled in Kenya. The entity's principal activity is to disburse and manage Car & Mortgage Loans to members.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st 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>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effect, date and impact
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

2. 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 30th June 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.

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.

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

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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

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

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

a) 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 a entity of financial assets is impaired. A financial asset or a 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 a 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)

b) 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.

c) 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.

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

e) 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.

f) Employee benefits – Retirement benefit plans

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

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

g) 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)

h) 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.

i) Related parties

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by Kwale County Assembly Members and Staff Loan Scheme Funds Act 2016. Its ultimate parent is the County Government of Kwale.

n) 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 Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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. Public contributions and donations

Description	2021-2022 Kshs	2020-2021 Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022 Kshs	2020-2021 Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022 Kshs	2020-2021 Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2021-2022 Kshs	2020-2021 Kshs
Interest Income From Mortgage Loans	5,960,131	5,391,616
Interest Income From Car Loans	600,186	830,719
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	6,560,317	6,222,335

Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	5,969,881	-
Social Security Contribution	-	-
Other (Specify)		
Total	5,969,881	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	210,000	100,000
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	1,464,519	-
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
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Bank Charges	30,291	14,343
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (Daily Subsistence Allowances)	6,419,000	1,635,200
Total	8,123,810	1,749,543

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022 Kshs	2020-2021 Kshs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
Current account-KCB	63,435,203	39,182,913
Current account-Family bank	190,001	190,001
Others	-	-
Total Cash And Cash Equivalents	63,625,204	39,372,914

(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 Kshs	2020-2021 Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial bank	1182792197	63,435,203	39,182,913
Family Bank	095000038226	190,001	190,001
Sub- Total		63,625,204	39,372,914
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		63,625,204	39,372,914

Notes to the Financial Statements Continued
12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
- Interest receivable - Car loan	1,076,269	600,270
- Interest receivable - Mortgage	5,425,004	3,212,743
Current Loan Repayments Due	-	-
- Current loan repayments due - Car loan	6,498,077	7,798,238
- Current loan repayments due - Mortgage	12,409,893	32,766,248
Other exchange debtors	210,603	478,415
Transfer to CRF		30,000,000
Less: Impairment Allowance	-	-
Total Current Receivables	25,619,847	74,855,915
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
- Long term loan repayments due - Car loan	2,104,022	2,698,762
- Long term loan repayments due - Mortgage	119,943,048	103,733,003
Total Non- Current Receivables	122,047,070	106,431,766
Total Receivables From Exchange Transactions	147,666,917	181,287,680

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
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Notes to the Financial Statements Continued

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
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Notes To The Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1 st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
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Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	3,805,730	6,538,409
Accrued Expenses	1,968,000	1,968,000
Trade payables-Over deducted car loan	9,711	
Trade payables-Over deducted Mortgage	762,306	
Other Payables-Unallocated deposit from Min of foreign	125,563	-
Total Trade And Other Payables	6,671,309	8,506,409

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(7,533,374)	4,472,792
Adjusted For:	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	(4,348,361)	-
Finance Cost	-	-
Working Capital Adjustments	(11,881,735)	4,472,792
Increase In Inventory	-	-
Decrease In Receivables	33,620,764	23,624,715
Decrease In Payables	(1,835,100)	(1,038,275)
Net Cash Flow From Operating Activities	19,903,928	27,059,232

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Kwale County Assembly Members and Staff Loan Scheme Fund
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Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Xxx Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

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

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021	-	-	-	-
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

**Kwale County Assembly Members and Staff Loan Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity'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 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity 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.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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

***Kwale County Assembly Members and Staff Loan Scheme Fund
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Other Disclosures Continued

Foreign currency sensitivity analysis

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

		Change in currency rate	Effect on surplus/ deficit	Effect on equity
		Kshs	Kshs	Kshs
2022				
Euro		10%	-	-
USD		10%	-	-
2021			-	-
Euro		10%	-	-
USD		10%	-	-

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 entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

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Other Disclosures Continued

d) Capital risk management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	197,430,000	197,430,000
Accumulated surplus	5,989,123	14,724,186
Total funds	203,419,123	212,154,186
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

**Kwale County Assembly Members and Staff Loan Scheme Fund
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19. Progress On Follow Up Of Prior Year Auditor's Recommendations

The audit report for the year ending 30th June,2021 was received however the management was still working on the responses the time of preparation of the financial statements for the year ending 30th June 2022.

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)

Kwale County Assembly Members and Staff Loan Scheme Fund
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20. Appendix I: Analysis Of Car Loan Receivables

COUNTY ASSEMBLY OF KWALE							
CAR LOAN LOANS RECOVERIES - July 2021 TO June 2022							
Staff Name	Amount	PRINCIPAL LOAN - 2021-2022			Balance C/F (30.06.2022)		
		Balance B/F	Addition in the year	Recoveries	Total	Short term	Long Term
ALFRED RUWA BAVU	2,250,000	-		-	-	-	-
ALI MABAVU	1,200,000	402,830		249,179	153,651	153,651	-
ANDREW MULEI	2,000,000	-		-	-	-	-
ANTHONY YAMA	2,000,000	-		-	-	-	-
ANTONY ODINDO	2,000,000	-		-	-	-	-
BINTIALI HAMADI KIBAMBA	1,250,000	- 27		-	- 27	- 27	-
CHAKA JULIUS NYONDO	450,000	146,794		153,619	- 6,825	- 6,825	-
DENIS MUTUI	3,500,000	2,642,700		-	2,642,700	2,642,700	-
ELIZABETH MWANGOLO RUWA	2,000,000	-		-	-	-	-
FATUMA KINGI	1,380,000	531,868		284,986	246,882	246,882	-
FATUMA MASITO	2,350,000	29,297		29,297	0	0	-
FATUMA MWALUPA	2,200,000	237,466		239,229	- 1,763	- 1,763	-
FELISTUS KALUNGU	1,200,000	-		-	-	-	-
GUZO MWATERO	1,500,000	1,013,248		296,533	716,715	344,023	372,692
HANIFA BADI MWAJIRANI	1,500,000	134		-	134	134	-
HASSAN YUSSUF MWASIPHO	2,000,000	-		-	-	-	-
JAMES DAWA	4,000,000	260,191		130,096	130,095	130,095	-
JANET MWANIA	1,000,000	922,272		190,554	731,719	204,201	527,518
JOHN GENYA KALU	1,500,000	344,335		317,447	26,888	26,888	-
JOSEPH KITUMBO NDEME	2,000,000	-		-	-	-	-
JOSEPHAT CHIREMA KOMBO	2,000,000	-		-	-	-	-
JUMA MAONE	1,345,000	1,272,169		-	1,272,169	1,272,169	-

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Analysis Of Car Loan Receivables Continued							
JUMA MASUDI	2,000,000	-		-	-	-	-
KENETH KITANA	900,000	91,601		91,601	0	0	-
KHAMISI MOHAMMED	1,350,000	112,275		111,992	283	283	-
LILY UMAZI MKALLA	1,030,000	22,293		22,321	- 28	- 28	-
MANZA BEJA BENY	2,000,000	-		-	-	-	-
MARY KALINGA	2,000,000	-		-	-	-	-
MELDA NYAKITI	1,320,000	-		-	-	-	-
MERCY NDIRANGU	1,080,000	97,493		98,303	- 810	- 810	-
MWANAKOMBO B. RASHID	1,150,000	285,688		284,839	849	849	-
MWANASITI SAID MWADZOGOLO	1,470,000	-		-	-	-	-
MWANDOTO BIJUMA SAPHATI	1,150,000	-		-	-	-	-
MWAPHATSA MWANAUBA OMARI	2,000,000	-		-	-	-	-
MWERUPHE NDORO	2,000,000	-		-	-	-	-
MWINYI BURDAI	2,000,000	-		-	-	-	-
MWINYI KHALFANI MWASERA	2,350,000	-		-	-	-	-
NASSORO B. MGUTTA	2,000,000	-		-	-	-	-
PATRICK MANGALE	2,000,000	-		-	-	-	-
PAUL MWALONYA	1,393,000	125,747		126,005	- 258	- 258	-
PHILIP ZIRO	1,800,000	413,033		380,983	32,050	32,050	-
POKEA BAKARI SIKUKUU	2,000,000	-		-	-	-	-
RAIA MKUNGU	2,000,000	180		-	180	180	-
SAIDI SAIDI MAGANGA	1,600,000	701,313		327,844	373,469	298,775	74,694
SALYA MBOTO	800,000	726		-	726	726	-
SULEIMAN NZALA	2,000,000	-		-	-	-	-
SWALEH B. SIMBA	1,345,000	-		-	-	-	-
TERESIA B MUOKI	1,600,000	138		-	138	138	-
TSUMA CHITI		-	1,500,000	69,783	1,430,217	301,098	1,129,118

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Analysis Of Car Loan Receivables Continued							
JERUMANI MAKRAA		421,618		-	421,618	421,618	-
SWALEH B. SIMBA		421,618		-	421,618	421,618	-
	82,963,000	10,497,000	1,500,000	3,404,612	8,592,389	6,488,367	2,104,022

Kwale County Assembly Members and Staff Loan Scheme Fund
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21. Appendix II: Analysis Of Mortgage Loan Receivables

COUNTY ASSEMBLY OF KWALE							
MORTGAGE LOAN RECEIVABLES - July 2021 TO June 2022							
Staff Name	Amount	PRINCIPAL LOAN - 2021-2022			Balance C/F (30.06.2022)		
		Balance B/F	Addition in the year	Recoveries	Total	Short term	Long Term
ALFRED RUWA BAVU	2,100,000	448,217		450,581	-2,364	-2,364	-
ALI MASEMO	7,000,000	6,779,605		0	6,779,605	412,971	6,366,634
ALI MNGUMI PILANI	4,100,000	4,057,930		38,345	4,019,585	212,020	3,807,565
ANDREW MULEI	3,000,000	693,945		695,042	-1,098	-1,098	-
ANTHONY YAMA	3,000,000	827,258		830,683	-3,425	-3,425	-
ANTONY ODINDO	2,500,000	728,398		731,416	-3,018	-3,018	-
BINTIALI HAMADI KIBAMBA	3,400,000	540,016		665,449	-125,433	-125,433	-
CELLINE LUSWETI	5,000,000	1,489,785		1,186,990	302,795	302,795	-
CHAKA JULIUS NYONDO		0	4,000,000.00	124,816	3,875,184	310,015	3,565,169
DANIEL MBINDA	6,889,853	6,704,620		262,045	6,442,575	369,909	6,072,667
DICKSON MANGALE	5,500,000	5,397,796		193,513	5,204,284	291,829	4,912,455
ELIAS MATANGA	5,093,095	4,966,490		190,815	4,775,675	266,549	4,509,126
ELIZABETH MWANGOLO RUWA	3,000,000	774,879		778,108	-3,229	-3,229	-
FATUMA MASITO	2,650,000	581,755.10		605,254	-23,499	-23,499	-
FELISTUS KALUNGU	5,340,350	5,164,081		289,231	4,874,849	429,794	4,445,056
GUZO MWATERO	5,435,612	5,153,215		491,413	4,661,802	370,474	4,291,328
HAMIS MOHAMED OMAR	3,500,000	804,262.39		1,018,158	-213,896	-213,896	-
HANIFA BADI MWAJIRANI	3,000,000	671,209		675,205	-3,996	-3,996	-
HAPPY SAMINI	4,200,000	3,713,226		312,882	3,400,344	201,006	3,199,338
HASSAN YUSSUF MWASIPHO	3,000,000	666,796		669,665	-2,869	-2,869	-
JOHN NANGINYI	5,700,000	5,417,096		226,459	5,190,637	311,438	4,879,199
JOSEPH KITUMBO NDEME	3,000,000	735,909.83		738,956	-3,047	-3,047	-

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Analysis Of Mortgage Loan Receivables Continued							
JOSEPH R. ZECHA	4,000,000	3,560,310		155,568	3,404,742	212,796	3,191,945
JOSEPH TSUMA DANDA	5,000,000	457,639		457,639	1	1	-
JOSEPHAT CHIREMA KOMBO	2,073,224	784,242		992,159	-207,917	-207,917	-
JUMA MAONE	3,000,000	3,000,000.00		0	3,000,000	3,000,000	-
JUMA MASUDI	3,000,000	585,365		587,897	-2,532	-2,532	-
JUMA ZANI		0	7,500,000	132,309	7,367,691	377,830	6,989,861
LUCY WAWERU	6,500,000	5,626,687		262,062	5,364,625	340,611	5,024,013
MARIAM MARUMU	5,500,000	5,355,667		211,827	5,143,841	285,769	4,858,072
MARY KALINGA	3,000,000	582,098		584,849	-2,751	-2,751	-
MISHI MAYUMBE	3,000,000	539,543		542,130	-2,587	-2,587	-
MWAKARIBU H. MWAKARIBU	5,000,000	1,700,283		1,265,652	434,630	434,630	-
MWANASITI SAID MWADZOGOLO	3,000,000	642,469		645,229	-2,761	-2,761	-
MWANDOTO BIJUMA SAPHATI	3,000,000	654,999		657,813	-2,814	-2,814	-
MWAPHATSA MWANAUBA OMARI	3,000,000	655,006		657,820	-2,814	-2,814	-
MWAZANI MKULU	11,879,880	5,920,876		299,905	5,620,971	432,382	5,188,589
MWERUPHE NDORO	3,000,000	697,890		700,991	-3,101	-3,101	-
MWINYI KHALFANI MWASERA	2,650,000	591,821		594,378	-2,557	-2,557	-
NASSORO B. MGUTTA	1,500,000	421,729		423,478	-1,749	-1,749	-
OMAR KITENGELE	2,000,000	521,131		523,456	-2,325	-2,325	-
OMARI GAMBERE	3,600,000	3,600,000		125,991	3,474,009	198,515	3,275,494
PHILIP CHAKA		0	4,000,000	82,429	3,917,571	201,763	3,715,808
PHILIP ZIRO	2,400,000	1,853,978		214,579	1,639,399	252,215	1,387,183
POKEA BAKARI SIKUKUU	3,000,000	665,061		740,922	-75,861	-75,861	-
RAIA MKUNGU	3,000,000	850,896		854,422	-3,526	-3,526	-
SAID K MWATSAVWA		0	6,200,000	56,797	6,143,203	311,048	5,832,155
SAID M. NZAO	8,239,699	7,971,347		305,031	7,666,316	427,887	7,238,428
SAIDI SAIDI MAGANGA	13,700,000	13,700,000		272,558	13,427,442	1,377,174	12,050,269

Kwale County Assembly Members and Staff Loan Scheme Fund
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Analysis Of Mortgage Loan Receivables Continued							
SAWA HAMISI NGALAA	5,500,000	4,881,982		706,356	4,175,625	300,045	3,875,580
SULEIMAN NZALA	3,000,000	566,718		569,264	-2,547	-2,547	
SWALEH B. SIMBA	3,000,000	672,496		733,086	-60,590	-60,590	-
TERESIA B MUOKI	3,400,000	615,418		615,421	-3	-3	-
WILLIAM MJAPE	12,500,000	12,026,695		0	12,026,695	759,581	11,267,114
YUSSUF HASSAN MBWANA	5,000,000	480,420		461,576	18,845	18,845	-
	222,851,713	136,499,251	21,700,000	26,608,617	131,590,635	11,647,587	119,943,048

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22. Appendix III: Analysis Of Schedule Of Retention

KWALE COUNTY ASSEMBLY MEMBERS AND STAFF LOAN SCHEME FUND					
SCHEDULE OF RETENTION MONIES - 2021 - 2022					
Name of Beneficiary	Retention B/F (01.07.2021)	Addition in the year	Total	Retention Paid in the year	Retention C/F(30.06.2022)
Joseph Danda	(40)		(40)		(40.00)
Sammy Ruwa	-		-		-
Jackson Ndoro	200,003		200,003	200,003	-
Juma Masudi	200,000		200,000	200,000	-
Yusuf Mbwana	-		-		-
Juma Maone	200,000		200,000		200,000.00
Suleiman Nzalla	200,000		200,000	200,000	-
Anthony Yama	200,000		200,000	200,000	-
Andrew Mulei	200,000		200,000		200,000.00
Swaleh Simba	100,000		100,000	100,000	-
Teresia Muoki	400,000		400,000	325,630	74,369.84
Mishi Mayumbe	200,000		200,000	200,000	-
Mwanasiti Mwadzogolo	-		-		-
Lucy Waweru	235,000		235,000	235,000	-
Mwinyi Mwasera	200,000		200,000	200,000	-
Sikukuu Pokea	74,646		74,646	74,646	-
Hanifa Badi	382,000		382,000	382,000	-
Mwanauba Mwaphatsa	382,000		382,000	382,000	-
Bijuma Mwandoto	200,000		200,000	200,000	-
Joseph Kitumbe	200,000		200,000		200,000.00
Philip Ziro	113,800		113,800		113,800.00
Joseph Zecha	400,000		400,000		400,000.00
Nassoro Mguta	100,000		100,000		100,000.00
Elizabeth Mwangolo	200,000		200,000		200,000.00

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Analysis Of Schedule Of Retention Continued					
Alfred Bavu	200,000		200,000		200,000.00
Mwazani Mkulu	(150,000)		(150,000)		(150,000.00)
Saidi Maganga	280,000		280,000		280,000.00
Chirema Kombo	200,000		200,000		200,000.00
Happy Samini	200,000		200,000		200,000.00
Daniel Mbinda	200,000		200,000		200,000.00
Dickson Nyundo	200,000		200,000		200,000.00
Sawa Ngalaa	450,000		450,000		450,000.00
John Nanginyi	171,000		171,000		171,000.00
Felistus Kalungu	200,000		200,000		200,000.00
Mariamam Marumu	200,000		200,000		200,000.00
Juma Zani		86,240	86,240		86,240.00
Said Mwatsavwa		80,360	80,360		80,360.00
	6,538,409	166,600	6,705,009	2,899,279	3,805,730



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