

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND

FOR THE YEAR ENDED
30 JUNE, 2023

PAPERS LAID	
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	—
CLERK AT THE TABLE	Camlyne chenep



**KISII COUNTY ASSEMBLY
MEMBER'S LOAN AND MORTGAGE FUND**

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

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

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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Kisii County Assembly Member's Loan and Mortgage Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
CASB	County Assembly Service Board
ECL	The expected credit loss
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
IR	In Receivership
KDIC	Kenya Depository Insurance Corporation
Kshs	Kenya Shillings
MCA	Member of County Assembly
OAG	Office of Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SBM	State Bank of Mauritius
SNA	System of National Accounts SNA
SRC	Salaries and Remuneration Commission

b) Glossary of Terms

FY	Financial Year
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2. Key Entity Information and Management

a) Background information

Kisii County Assembly Member's Loan and Mortgage Fund is established by and derives its authority and accountability from Kisii County Assembly Loan and Mortgage Fund Schemes Act, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The object and the purpose of the fund is to enable loans and mortgages to be advanced to members and employees of the Kisii County Assembly as maybe prescribed by the Salaries and Remuneration Commission (SRC).

Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee member for Finance to establish County Public Funds with approval of the County Executive Committee and the County Assembly. Subsection 7 requires the administrator of the County public fund to prepare accounts for each financial year and submit them to the Auditor General.

Arising from the above-mentioned provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the members of the County Assemblies, vide circular ref; SRC/TC/CGOVT/3/16 dated 27th November, 2013, the Kisii County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car loan and Mortgage scheme fund with the approval of County Assembly in April 2014. Chase Bank (K) was subsequently appointed the first administrator of the Fund. Currently State Bank of Mauritius (SBM BANK) is the administrator of the Fund after Chase Bank Ltd went under Receivership in April 2016.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide Mortgages and Car loans to Members of Kisii County Assembly and Staff.

Vision

A model fund of choice for Members and Staff of County Assembly of Kisii.

Mission

To provide affordable, accessible and sustainable Mortgages and Car loans to Members and Staff of County Assembly of Kisii.

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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c) Fund Administration Committee

Ref	Name	Position
1	Hon. Henry Moracha	Chairperson
2	Hon. Denis Ombachi	Vice chairperson
3	Hon James Ondari	Member
4	Hon. Ibrahim Mose	Member
5	Hon. Claire Obino	Member
6	Mr. Jacob Onkeo	Secretary
7	Mr. Moses Ratemo	Member
8	Mr. Robin Nyakundi	Member
9	Ms Brenda Nyamwaya	Member

d) Key Management Team

Ref	Name	Position
1	Mr. Jacob Onkeo	Fund Administrator
2	Mr. Dennis Aamba	Fund Accountant

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

The key management personnel who held office during the year ended 30th June 2023 and who had direct fiduciary responsibility were:

SN	Position	Name
1	Directorate Internal Audit	Mr. Elias Yoge Ngere
2	Staff Mortgage and Car Loan Advisory Committee	
3		

f) Registered Offices

P.O. Box 4552- 40200
Old Municipal Building
Kisii - Kilgoris Road/Highway
Kisii, KENYA

g) Fund Contacts

Telephone: (254) 0208029160
E-mail: countyassembly@kisii.go.ke
Website: www.kisii.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. SBM Bank Limited
Kisii Branch
P.O Box 34886-00100
Nairobi.



i) Independent Auditors

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




j) Principal Legal Adviser

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

3. Fund Administration Committee

Name	Details of qualifications and experience
 <p>Hon. Henry Moracha MCA Bassi Central Ward Leader Majoriy.</p>	<p>Hon. Henry Moracha – Chair – Loan and Mortgage Management Committee</p> <p>Hon. Henry Moracha was elected as the Leader Majority Party in the 3rd Assembly on September 2022. He is the Member of County Assembly for Bassi Central ward. He is serving in the second term as a Member of County Assembly having been elected to the first Assembly County Assembly in 2013. During his tenure in the first Assembly, he was the Chief whip Majority and brought several pieces of legislation and motions. Currently he is the chairperson of the selection committee, vice chairperson of committee on appointment and a Member of House Business committee.</p>
 <p>Mr. Jacob M. Onkeo Ag. Clerk</p>	<p>Mr. Jacob M. Onkeo- Mr. Jacob Onkeo is a Masters Holder of Education Planning and Economics from the Kenyatta University and Bachelor of Arts in Education from the same University. He is currently pursuing his PhD. Earlier he served as a teacher in several high schools and later promoted to Deputy Principal. He worked as a part time lecturer in Kisii University and Kenya Institute of Management.</p> <p>He is also the Chairman of the school Board of Management.</p> <p>He joined the County Assembly of Kisii as a principal research Officer and later promoted to the Director Chamber and procedural services.</p> <p>Currently is the acting as the Clerk and Secretary to the County County Assembly Service Board.</p> <p>His duties include rendering of procedural advisory to the Speaker and Members of County Assembly. He is also the chief administrative officer, accounting and authorised officer of the County Assembly.</p> <p>Mr. Onkeo is a dedicated and Experienced public servant committed to promote transparency, accountability and good governance in Kisii County Assembly.</p>

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	<p>Hon. James Ondari: He is an Elected Member of County Assembly from Boochi Tendere Ward. He is a nominated Member of the County Assembly Service Board. (CASB).</p> <p>He boasts 20 years of Experience in Leadership in various capacities.</p>
	<p>Hon. Denis Ombachi is an Elected Member of County Assembly representing Marani Ward. He is the Leader of Minority in the County Assembly. Hon. Ombachi is the vice chairman of the Car Loan and Mortgage Fund Management Committee.</p>
	<p>Hon. Ibrahim Mose: He is an Elected Member of County Assembly from Bobaracho Ward. He was appointed to be a Member in the Loan and Mortgage Fund Management Committee to represent special interest groups.</p> <p>He has a wealth of experience in Management.</p>

Hon. James Ondari



Hon. Denis Ombachi

Hon. Ibrahim Mose

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 <p>Mr. Moses Ratemo</p>	<p>Mr. Moses Ratemo is currently serving as the Director Finance and Accounting Services. He holds a Bachelor of Commerce Degree in Accounting Option from Egerton University and is currently pursuing a Master's of science in Finance and Accounting at Jomo Kenyatta University of Agriculture and Technology. a Member in the Loan and Mortgage Fund Management Committee.</p> <p>Mr. Ratemo has over 19 Years' experience in Accounting and Finance in public Service.</p>
 <p>Mr. Robin Nyakundi</p>	<p>Mr. Robin Nyakundi is currently serving as a Finance Officer at Kisii County Assembly and he is a Member in the Loan and Mortgage Fund Management Committee.</p> <p>He holds a Bachelor of Business and Management, Banking and Finance Option from Kisii University.</p> <p>He boasts 10 years' experience in Finance and Accounting in public Service.</p>
 <p>Ms Brenda Nyamwaya</p>	<p>Ms Brenda Nyakanga Nyamwaya is an Advocate of High Court of Kenya holds a Bachelor of Law Degree (L.L.B) from the Catholic University of Eastern Africa. She holds a Post-graduate diploma the Kenya School of Law.</p> <p>She is currently serving as a Senior Legal Counsel with 4 years' experience at Kisii County Assembly and a Member in the Loan and Mortgage Fund Management Committee.</p>

4. Management Team

 <p>Mr. Jacob M. Onkeo Ag. Clerk</p>	<p>Mr. Jacob M. Onkeo- Mr. Jacob Onkeo is a Masters Holder of Education Planning and Economics from the Kenyatta University and Bachelor of Arts in Education from the same University. He is currently pursuing his PhD. Earlier he served as a teacher in several high schools and later promoted to Deputy Principal. He worked as a part time lecturer in Kisii University and Kenya Institute of Management. He is also the Chairman of the school Board of Management. He joined the County Assembly of Kisii as a principal research Officer and later promoted to the Director Chamber and procedural services. Currently is the acting as the Clerk and Secretary to the County County Assembly Service Board. His duties include rendering of procedural advisory to the Speaker and Members of County Assembly. He is also the chief administrative officer, accounting and authorised officer of the County Assembly. Mr. Onkeo is a dedicated and Experienced public servant committed to promote transparency, accountability and good governance in Kisii County Assembly.</p>
 <p>CPA Dennis Aamba- Fund Accountant</p>	<p>CPA Dennis Aamba–Fund Accountant CPA Dennis Aamba is currently serving as a Finance Officer at Kisii County Assembly. He holds a Bachelor in Business Management Accounting option from Maasai Mara University, Masters in Business Administration Finance Option from The University of Nairobi and is currently pursuing a PHD in Business administration Finance option from The University of Nairobi. He is a member of ICPAK in Good Standing. CPA Aamba is a chairperson of the Board of Management in High school. He boasts 10 years' experience in Accounting, Audit and Finance in Public Service.</p>

5. Fund Chairperson's Report

The Financial Statements of the Kisii County Assembly Member's Loan and Mortgage Fund was prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) and in compliance with Section 107 and 149 of Public Finance Management Act, 2012.

The principal objective and purpose of establishing the fund was to enable members of the County Assembly and Staff to acquire Member's loans and Mortgage Fund facilities. This would better their Economic and Social welfare and improve on Service Delivery in their line of duty. The Salaries and Remuneration Commission (SRC), through gazette notice No. 6516 dated 7th July, 2017 gave guidelines on the benefits to be enjoyed by each member. It allowed Members of the County Assembly a maximum Car loan of up to Kshs. 2 Million and a Mortgage facility not exceeding Kshs. 3 Million. However, the commission reviewed this arrangement and allowed merging of the Car loan and Mortgage benefit for MCAs and advised that the benefits could be consolidated as one and be capped at Kshs. 5 Million for purchase of a Car and/or Mortgage facility. This was through Circular Ref. No: SRC/TS/CAF/3/61/49(46) dated 13 December, 2017.

In this Second Assembly, the Management of the Fund cumulatively advanced a total of Kshs. 351,500,000 Car Loan and Mortgage funds to Members. As at the Financial Year ended 30th, June 2023 68 County Assembly Members including the Speaker had benefited from this Facility excluding 6 other Mcas with a case in court. We are glad that the Recovery process is going on well. We have so far recovered Kshs. 25,199,566 with an outstanding amount of Kshs. 326,300,434.

Further, the Fund Management Committee is deliberating on possible modalities of ensuring that Members of staff start benefiting from this facility in future.

I look forward to your continued support in the year 2023/2024.

Name: **Hon. Henry Moracha**

Signature:  Date: 03/01/24
Chairperson of the Fund

6. Report of The Fund Administrator

We entered into a Memorandum of Understanding with the Kisii County Assembly Service Board on 6th December 2017 after a series of meetings. During that period i.e. from 2013 to 2017, we disbursed Kshs. 260 million to 72 members of County Assembly. By the time we were disbursing the loans, nearly all members of County Assembly did not qualify for full amounts because enough seed money was not deposited with the bank as the Assembly appeared to have funding challenges. This explains the fact that only Kshs. 260 million was disbursed to MCAs as opposed to Kshs. 360 million that would have allowed disbursement of Kshs. 5 million to each MCA as per the SRC guidelines then.

By August 2017, all loans had been fully repaid. We did not face any challenges in recoveries save for the fact that the bank (Chase Bank Ltd) was put under receivership in April 2016. In the month of September 2017, the County Assembly Service Board asked for a full refund of Kshs. 260 million from the bank. During this period, the bank was under receivership and such refund would not have been possible. A number of meetings were held between the Bank, The Receiver Manager and the Kisii County Assembly Service Board. Subsequently, with the concurrence of the Central Bank of Kenya, funds were availed to the tune of Kshs. 336 million for disbursement to the MCAs.

Since November 2022, a total of 68 loan beneficiaries received **Kshs.351, 500,000**. The management has since recovered **Kshs. 25,199,566** leaving an outstanding loan balance of **Kshs.326, 300,434** as at 30th June 2023.

It is my pleasure to present the Kisii County Member's loan and Mortgage Fund financial statements for the year ended 30th June 2023. The financial statements present the financial performance of the fund over the past year.

Financial Performance

a) Revenue

In the year ended 30th June 2023, the fund had projected revenues of **Kshs. 2,800,000**. Out of the projected revenue, the fund was able to realise **Kshs.2,649,406** in actual revenues, representing **95%** performance.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue			
Public contributions and donations	0	0	0
Transfers from County Govt.	0	0	0
Interest income	2,800,000	2,649,406	95%
Fines, penalties and other levies	0	0	0
Other income	0	0	0
Total income	2,800,000	2,649,406	95%

COMPARISON BETWEEN REVENUE BUDGET AND ACTUALS



b) Loans

During the financial year 2022/2023, total loans of **Kshs. 351,500,000** were disbursed. Only 68 Members including the Speaker got loans except 6 who are awaiting determination of their election petitions pending in court. Efforts on effective and appropriate loan recoveries are on, geared towards ensuring that there are no defaults. As at 30th June 2023 a total of **Kshs. 25,199,566** has already been recovered with an outstanding balance of **Kshs. 326,300,434**.

Cash flows

In the financial year ending 30th June 2023, the cash and cash equivalents balance brought down was **Ksh.135, 685,790**. During the year under review the Fund received **Ksh. 100,000,000** from the Exchequer, **Ksh. 113,164,804** from SBM and **Ksh. 2,649,406** surplus from interest accruing out of fixed deposits. This facilitated the disbursement of **Ksh. 351,500,000** as loans to members. A total of **Ksh. 25,199,566** loan recoveries was made as at 30th June 2023 leaving an outstanding loan balance of **Ksh. 326,300,434**. The cash and cash equivalents therefore, decreased by **Kshs. 110,486,224** from **Kshs. 135,685,790** to **Kshs. 25,199,566**. The decrease was mainly as a result of loan disbursements.

c) Conclusion

FY 2022/2023 was a good year in general. Good progress was made and the momentum has been created to enable Kisii Car loan & Mortgage fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years. I therefore take this opportunity to thank the board of trustees for their support. I would also want to thank all the members of the County Assembly and staff whom we have worked with hand in hand to ensure that Kisii Car loan & Mortgage fund achieves its mission. We are looking forward to working with you.

Signed: _____

**Name: Jacob M. Onkeo
Ag,Clerk, Kisii County Assembly**

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7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan for 2018 to 2023 are to:

- a) Provide funds to enable loans and mortgage to be advanced to members and employees of the Kisii County Assembly for the purchase, development, renovation or repair of property and or the purchase of vehicles.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Nil Number of mortgages successfully applied	0 % of staff taking Mortgage facilities	During FY ,2023/2024 Members of staff did not access the facility because of lack of funds.
Provision of Car loan and Mortgage facilities to all members of County Assembly	To ensure all Members of County Assembly have access to Car loan and Mortgage facilities.	68 Members of County Assembly successfully applied for Car loan and Mortgages.	92 % of Members of County Assembly took Car loan and Mortgage facilities.	During FY ,2023/2024 Six (6) Members of County Assembly were not able to access the facility because; three of them had a petition in court while the other three were not willing to take the facility.

8. Corporate Governance Statement

The Fund

The Kisii County Assembly Car Loan Scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide Car loans and Mortgage to members of the County Assembly and staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by Kisii County Assembly Car Loan and Mortgage Act 2014. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

The Loan and Mortgage Management Committee

Section 7(1) of Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014 provides that the Committee shall consist of the following members:

- (a) The leader of Majority party who shall be the chairperson;
- (b) The leader of minority party who shall be the vice chairperson;
- (c) Two members of the county assembly of different gender, nominated by the members of county assembly to represent special interest groups;
- (d) One person of the public appointed to the County Assembly Service Committee under section 12 (3) (d) of the County Government Act (2012).
- (e) The Clerk who shall be the secretary to the committee.
- (f) The Director, Finance and Budget Affairs
- (g) Two members of different gender representing the staff in the committee"

The Committee is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The Committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Committee members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the Committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the Committee, its sub-committees, individual members and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

**Kisii County Assembly Member's Loan and Mortgage Fund
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Committee Meetings

The board of trustees meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The board of Management also plays an oversight role over all other financial and operational issues. The Management held six full board and two special board meetings during the FY 2022/2023.

Audit and Risk Committee

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of trustees has established an audit and risk committee. The committee was established to advice the board of trustees on institutional risk management and compliance. The committee held five meetings during the year. The committee also met the Fund's external auditors OAG to deliberate on risk management issues. The members of this committee during the year under review were:

S/No.	Name	Position	Period Served
1	Rose Bosibori Osoro	Chairperson	3 rd December 2018 to date
2	Bosco Peter Onsembe	Member	3 rd December 2018 to date
3	Enock Ombui Nyasende	Member	3 rd December 2018 to date
4	Elias Ngere	Member	3 rd December 2018 to date

Statement of Compliance

The board of Management confirms that the fund has throughout the FY2022/2023 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

Internal Control and Risk Management

The Committee members are responsible for reviewing the effectiveness of the Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instruction

The Fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the Fund is determined by the strategic plan. The strategic plan sets out the objectives of the Fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the Audit and Risk Committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2022/2023.

Risk Management

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

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Management Team

The Management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The Fund is audited by the Auditor-General.

9. Management Discussion and Analysis

When SBM Bank took over the Management of the Kisii County Assembly Member's Loan and Mortgage Fund it inherited three (3) bank accounts that had been opened by Chase Bank (IR) which was under Receivership. It consolidated them to one Account namely **Kisii County Assembly, Mortgage and Car Loan Fund a/c. Number 0252096101001**. The Accounts held total deposits of **Ksh.440 Million**.

The three (3) deposit accounts had balances as follows;

	Account No.	Date Of Deposit	Amount (Ksh)	Total Balance
1.	0252096101002	28/04/2014 06/05/2014	30 Million 70 Million	100 Million
2.	025209101003	01/07/2014 24/09/2014 31/10/2014	40 Million 40 Million 50 Million	90 Million
3.	0252096101001	27/03/2015 08/02/2016 07/05/2018	20 Million 10 Million 30 Million	60 Million
4.	0252096101001	30/01/2019 15/04/2019	25 Million 25 Million	50 Million
5	0252096101001	30/12/2022	25 Million	25 Million
6	0252096101001	9/3/2023 17/4/2023 14/6/2023	25 Million 25 Million 25 Million	75Million
	Total receipts since inception			440Million

Note that **Kshs.260 million** was held by Chase Bank limited as at the time it was put under receivership in April 2016. Only **Kshs.1 million** could be withdrawn from each of the 3 accounts at that time. Therefore, Kshs.257 Million was held under moratorium and according to SBM Bank **25%** of this (**Kshs.64, 250,000**) is still held by Kenya Deposit Insurance Corporation (KDIC).

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

The County Assembly has developed a five year strategic plan (2018-2023) that outlines the Objectives and activities that will guide us in deepening our parliamentary culture and improving the administrative mechanisms of our institution to better serve the public. The plan provides a framework for resource planning to enhance the performance of the Assembly's Core mandate of Legislation, Oversight and Representation.

2. Environmental performance

The County Assembly through standing order 191 has established a standing Committee on Energy, Water, Environment & Natural Resources which is mandated to consider all matters relating to Implementation of specific government policies on Natural Resources and environmental conservation including Soil, Water, Forestry, Energy and Control of Air & water pollution and other public Nuisances.

3. Employee welfare

The County Assembly has developed a Human Resource Manual that outlines best human resource management practices and employee welfare. The assembly also has in place a training policy manual that guides in managing the training needs of the assembly. All the members of the County Assembly are covered under medical insurance scheme.

4. Market place practices-

a. Responsible competition practice.

All our engagements with suppliers, business partners and other stakeholders is done competitively through open platforms and in line with relevant laws and regulations. The Assembly emphasises Zero tolerance to corrupt practices.

b. Responsible Supply chain and supplier relations.

The Assembly has fully embraced the Electronic Procurement System through the Government recommended Integrated Financial Management Information System (IFMIS). All our procurement is done as per the Public Procurement and Disposal Act 2015. The management ensures Suppliers are promptly paid and discourages instances of accumulated pending bills.

c. Responsible marketing and advertisement. The County Assembly disseminates its marketing and advertising information through open media with a wider coverage. The assembly follows ethical marketing practices and favourably responds to feedback.

d. Product stewardship

The Assembly ensures that product Quality and Safety meets the acceptable standards. The inspection and acceptance committees take responsibility of making sure that products and services are of good and standard quality and meet user expectations.

5. Corporate Social Responsibility / Community Engagements

The County Assembly of Kisii aims to improve the livelihoods of the people of Kisii County through effective Legislation, Oversight and Representation. We are guided by Our Core Values which include; Inclusivity, the rule of law, Democracy, Equity, good Governance, Integrity, Transparency and Accountability. The quest for The Kisii County Assembly Car Loan and Mortgage Fund Management to initiate Corporate Social Responsibility with a positive impact to Society has been hampered by lack of Resources.

11. Report of The Trustees

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to enable members of the County Assembly and Staff to access mortgages and car loans as may be prescribed by the Salaries and Remuneration Commission.

Results

The results of the Fund for the year ended June 30, 2023 are set out on pages 1-26.

Members of the Loan and Mortgage Management Committee

The members of the Loan and Mortgage Management Committee who served during the year are shown on page iv and Section 2 of this document

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

Hon. Henry Moracha



Chair of Loan and Mortgage Management Committee

Date: 03/01/24

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

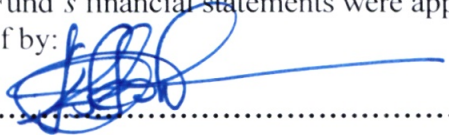
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and County Governments Act, 2012 and the County Assembly Services Act, No. 24 of 2017. and. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

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 04/09/2023 and signed on its behalf by:

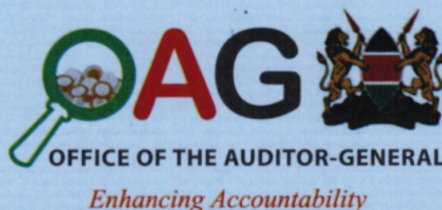

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Mr. Jacob M. Onkeo

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 KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisii County Assembly Member's Loan and Mortgage Fund set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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

Report of the Auditor-General on Kisii County Assembly Member's Loan and Mortgage Fund for the year ended 30 June, 2023

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 Kisii County Assembly Member's Loan and Mortgage Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014.

Basis for Qualified Opinion

1. Unreconciled Variance in Interest Income Amount

The statement of financial performance reflects interest income amount of Kshs.2,649,406 which agrees with the bank statement of the Fixed Deposit Account. However, the certificate of bank balances as at 30 June, 2023 reflects interest income from fixed deposit amount of Kshs.4,487,125, and the loan interest schedule reflect interest charged on loans amounting to Kshs.3,989,418 all totaling to Kshs.8,476,543 resulting in an unreconciled variance of Kshs.5,827,137. Management has explained without providing evidence that the interest income from fixed deposit amount of Kshs.4,487,125 relates to accumulated interest for prior years, and has confirmed that the interest charged on loans amounting to Kshs.3,989,418 is not accounted for in the financial statements since it is directly absorbed as management expenses by the Fund Manager, SBM Bank (K) Limited.

In the circumstances, the accuracy and completeness of the interest income amount of Kshs.2,649,406 could not be confirmed.

2. Unsupported Restatement of Cash and Cash Equivalent Balance

The statement of financial position and Note 4 of the financial statements reflect cash and cash equivalent of Kshs.25,199,566 and a comparative balance of Kshs.135,587,817. However, Note 4 indicates that the 2022/2023 balance is a restatement which does not agree with the detailed Note, neither is it disclosed in the statement of financial position as required by IPSAS 3 on correction of prior year error or estimate.

In the circumstances, the accuracy and completeness of the reported cash and cash equivalents balances of Kshs.25,199,566 could not be confirmed.

3. Non-Recognition of Fund Administration Expenses

The statement of financial performance reflect Revenue from exchange transaction of Kshs.2,649,406 and Nil expenses for the financial year ended 30 June, 2023. However, the fund appears to have been operationalized in the year and therefore there must have been expenditures in respect of loan evaluation and administration, bank charges for loan account operation and other incidental costs all of which have not been recognized.

In the circumstances, the accuracy of the statement of financial performance could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2023 as disclosed in Annex 1 to the financial statements on Progress on Follow Up of Prior Year Auditors Recommendation. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Irregular Bank Borrowing

The Statement of financial position reflects current portion of borrowings amount of Kshs.113,164,804 which, as disclosed in Note 6 to the financial statements, was a loan from a Commercial Bank. However, no documentation was provided to demonstrate that the Fund is allowed to borrow commercial loans considering it is a creation of the County Assembly which are fully funded by the Government. Further, no documentary evidence was provided to show that the loan was guaranteed by the National Government as required by Regulation 177(3) of the Public Finance Management (County Governments) Regulations, 2015.

2. Unconfirmed Signatories of Fund Bank Accounts

Reflected in the cash and cash equivalents balance of Kshs.25,199,566 is a fixed deposit account and current account balances of Kshs.25,199,566 and Nil respectively. The two (2) accounts were maintained at SBM Bank (Kenya) Limited to account for loan transactions. However, the fixed deposit account had a balance of Kshs.135,587,817 as at 1 July, 2022. The amount was put on call account at an interest rate of 7% p.a. and earned interest amounting to Kshs.2,649,406 during the year under review. However, documentary evidence showing the signatories of the two bank accounts during the year under review was not provided for audit.

In the circumstances, the regularity of the operations of the Fund bank accounts during the year under review could not be confirmed.

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 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Approved Risk Management Policy

During the year under review, the Fund operated without an approved Risk Management Policy that would have provided guidance in its management of financial and operational activities. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism, and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management in the Fund could not be confirmed. Also, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in

compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal controls 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 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 the Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

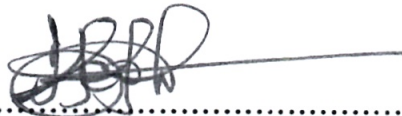
26 January, 2024

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

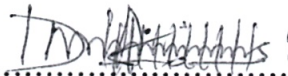
**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH JUNE 2023**

Description	Note	2022-2023	2021-2022
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	1	2,649,406	5,992,556
Total revenue		2,649,406	5,992,556
Expenses			
Fund administration expenses	2	-	4,056,766
Use of goods and services	3	-	-
Total expenses		-	4,056,766
Surplus for the period		2,649,406	1,935,790

The notes set out on pages 6 to 26 form an integral part of these Financial Statements



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Name: Mr. Jacob M. Onkeo
Administrator of the Fund



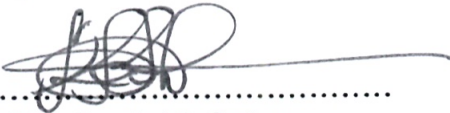
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Name: Dennis Aamba
Fund Accountant
ICPAK Member Number: 17821

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

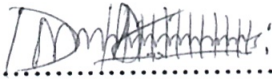
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Description	Note	2022-2023	2021-2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	4	25,199,566	135,685,790
Non-current assets			
Long term receivables from exchange transactions	5	326,300,434	-
Long term receivables from non-exchange transactions	8	64,250,000	64,250,000
Total assets		415,750,000	199,935,790
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions		-	-
Current Portion of Borrowings	6	113,164,804	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
Total current liabilities		113,164,804	-
Net assets			
Revolving fund		298,000,000	198,000,000
Accumulated surplus		4,585,196	1,935,790
Proceeds from revolving fund receipts		-	-
Total net assets		302,585,196	199,935,790
Total Net Asset and Liabilities		415,750,000	199,935,790

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 04/9/2023 and signed by:



Name: Mr. Jacob M. Onkeo
Administrator of the Fund



Name: Dennis Aamba
Fund Accountant
ICPAK Member Number: 17821

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

Description	Revolving Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2021	198,000,000	-	198,000,000
Surplus/(deficit) for the period	-	1,935,790	1,935,790
Funds received during the year	-	-	-
Loan disbursement paid out	-	-	-
Balance as at 30 June 2022	198,000,000	1,935,790	199,935,790
Balance as at 1 July 2022	198,000,000	1,935,790	199,935,790
Surplus for the period	-	2,649,406	2,649,406
Funds received during the year	100,000,000	-	213,164,804
Balance as at 30 June 2023	298,000,000	4,585,196	302,585,196

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

Description	Note	2022-2023	2021-2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	1	2,649,406	5,992,556
Total Receipts		2,649,406	5,992,556
Payments			
Fund administration expenses	2	-	4,056,766
Use of goods and services	3	-	-
Total Payments		-	4,056,766
Net cash flows from operating activities		2,649,406	1,935,790
Cash flows from investing activities			
Proceeds from loan principal repayments	4	25,199,566	56,641,412
Loan disbursements paid out		(351,500,000)	-
Transfer of deposit from cash to long term receivables from non-exchange transactions		-	-
Net cash flows used in investing activities		(326,300,434)	56,641,412
Cash flows from financing activities			
Proceeds from revolving fund receipts		100,000,000	-
SBM Bank Borrowing	6	113,164,804	-
Net cash flows used in financing activities		213,164,804	-
Net increase /(decrease) in cash and cash equivalents		(110,486,224)	58,577,588
Cash and cash equivalents at 1 JULY 2022	4	135,685,790	77,108,588
Cash and cash equivalents at 30 JUNE 2023	4	25,199,566	135,685,790

Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Interest income	2,800,000	-	2,800,000	2,649,406	150,594	95%
Total Revenue	2,800,000	-	2,800,000	2,649,406	150,594	95%
Expenses						
Use of goods and services	-	-	-	-	-	-
Total Expenses	-	-	-	-	-	-
Surplus for the year	2,800,000	-	2,800,000	2,649,406	150,594	95%

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

Description	Note	2022-2023	2021-2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	1	2,649,406	5,992,556
Total Receipts		2,649,406	5,992,556
Payments			
Fund administration expenses	2	-	4,056,766
Use of goods and services	3	-	-
Total Payments		-	4,056,766
Net cash flows from operating activities		2,649,406	1,935,790
Cash flows from investing activities			
Proceeds from loan principal repayments	4	25,199,566	56,641,412
Loan disbursements paid out		(351,500,000)	-
Transfer of deposit from cash to long term receivables from non-exchange transactions		-	-
Net cash flows used in investing activities		(326,300,434)	56,641,412
Cash flows from financing activities			
Proceeds from revolving fund receipts		100,000,000	-
SBM Bank Borrowing	6	113,164,804	-
Net cash flows used in financing activities		213,164,804	-
Net increase /(decrease) in cash and cash equivalents		(110,486,224)	58,577,588
Cash and cash equivalents at 1 JULY 2022	4	135,685,790	77,108,588
Cash and cash equivalents at 30 JUNE 2023	4	25,199,566	135,685,790

Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023	2022/2023
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Interest income	2,800,000	-	2,800,000	2,649,406		95%
Total Revenue	2,800,000	-	2,800,000	2,649,406		95%
Expenses						
Use of goods and services	-	-	-	-		-
Total Expenses				-		-
Surplus /Deficit for the year	2,800,000	-	2,800,000	2,649,406		95%

Name: Mr. Jacob M. Onkeo
Administrator of the Fund

Name: Dennis Aamba
Fund Accountant
ICPAK Member Number: 17821

19. Notes to the Financial Statements

1. General Information

Kisii County Assembly Members' Loan and Mortgage Fund is established by and derives its authority and accountability from Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya. The principal activity/mission/ mandate of the Fund is to provide Mortgages and Car loans to Members of Kisii County Assembly and Staff.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<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> <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;

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Standard	Effective date and impact
	<ul style="list-style-type: none"> • 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact
	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.
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>

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p>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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-	Applicable 1st January 2025

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Standard	Effective date and impact:
Current Assets Held for Sale and Discontinued Operations	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: 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.

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2021/2022

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on **04/09/2023**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 200 Million on the FY 2022/2024 budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 18 of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

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.

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.

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6. Notes To The Financial Statements

1. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest income from loans (mortgage and car loans)	-	851,391
Interest from fixed deposit	2,649,406	5,141,165
Total interest income	2,649,406	5,992,556

2. Fund Administration Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Professional services costs	-	-
Total	-	-

3. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Professional services costs	-	-
Total	-	-

4. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Fixed deposits account	25,199,566	135,587,817
Current account	-	97,937
Total cash and cash equivalents	25,199,566	135,685,790

The balance for 2022-2023 has been restated from **Kshs. 135,685,790** to **K Kshs. 25,199,566** by transferring the balance of **Kshs.64, 250,000** held in Kenya Depository Insurance Corporation (KDIC) from cash and cash equivalents to long term receivables from non-exchange transactions. This was because the balance of **Kshs.64, 250,000** did not satisfy the definition of cash and cash equivalents.

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Notes to the Financial Statements Continued

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

Financial institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Fixed deposits account			
SBM Bank	0252096101001	25,199,566	135,587,817
Sub- total		25,199,566	135,587,817
b) Current account			
SBM Bank	02520960101005	-	97,973
Sub- total			
Grand total		25,199,566	135,685,790

5. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	326,300,434	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	326,300,434	
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	326,300,434	-

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	2022-2023	2021-2022
	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	-	-

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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	326,300,434	-

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Notes To The Financial Statements (Continued)

6. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	113,164,804	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	113,164,804	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings		
Kenya Shilling Loan From SBM	113,164,804	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	113,164,804	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	113,164,804	-
Long Term Borrowings	-	-
Total	113,164,804	-

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Notes To The Financial Statements (Continued)

7. Cash generated from operations

	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year	2,649,406	1,935,790
Net cash flow from operating activities	2,649,406	1,935,790

8. 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:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 1 July 2022				
Receivables from exchange transactions	173,541,754	173,541,754		
Receivables from non-exchange transactions (Long term Held in KDIC)	64,250,000	64,250,000		
Bank balances	9,958,246	9,958,246		
Total	247,750,000	247,750,000		
At 30 June 2023				

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Receivables from exchange transactions	326,300,434	326,300,434		
Receivables from non-exchange transactions	64,250,000	64,250,000		
Bank balances	25,199,566	25,199,566		
Total	415,750,000	415,750,000		

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Notes To The Financial Statements (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 entity has significant concentration of credit risk on amounts due from outstanding loans.

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June (2022/2023)				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	113,164,804	113,164,804
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	113,164,804	113,164,804
At 30 June (2021/2022)				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Notes To the Financial Statements (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.

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Notes To the Financial Statements (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:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revolving fund	298,000,000	198,000,000
Accumulated surplus	2,649,406	1,935,790
Total funds	298,672,749	199,935,790
Total borrowings	113,164,804	-
Less: cash and bank balances	25,199,566	135,685,790
Net debt/(excess cash and cash equivalents)	(87,965,238)	-
Gearing	29%	0%

9. Events after the reporting period

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

10. Ultimate and Holding Entity

The entity is a County Public Fund established by Kisii County Assembly Members' Loan and Mortgage Fund Act, 2014 County Governments Act, 2012 and the County Assembly Services Act, No. 24 of 2017 under the Ministry of xxx. Its ultimate parent is the County Government of Kisii.

11. Currency

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

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20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Budgetary control and performance	The amended financial statement reflects an underfunding of 5% and underfunding expenditure of 35% as a result of reduced activities being the last year of the members' term.	unresolved	
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1.	Lack of Agreement Between the County Assembly and SBM Bank Kenya Limited	The County Fund Scheme Administration Agreement which was initially made between the County Assembly and Chase Bank (K) Ltd and later transferred to SBM Bank (K) Ltd lapsed in August 2022 following the end of term of the second	unresolved	

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

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)
		<p>Assembly. The County Assembly consummated a new Memorandum of Agreement with SBM Bank (K) Ltd with effect from 12th October 2022 which is currently in force. (A copy has been attached for audit review).</p>		
2.	<p>Unauthorized Opening and Maintenance of Fund Accounts Bank</p> <p>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</p>	<p>The Loan and mortgage Fund has never had enough seed Capital since its inception. This necessitated the bank to hold the kshs. 133,750,000 deposits in lien to enable it advance loans to all members of the County Assembly. It is after most of the members had repaid their loans that the Loan and Mortgage fund Committee requested that the available balance be put on call to allow it grow the fund.</p>	unresolved	

**Kisii County Assembly Member's Loan and Mortgage Fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Guidance Notes:

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

Fund Manager/Accounting Officer (enter title of head of Fund)


Date 03/01/24