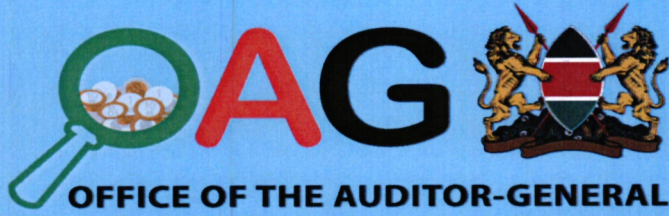


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

PAPERS LAID	
DATE	23/5/23
TABLED BY	Sen Joyce Kariuki
COMMITTEE	—
CLERK AT THE TABLE	M. M. M. M.

OF

THE AUDITOR-GENERAL

ON

**MERU COUNTY ASSEMBLY MEMBERS
CAR LOAN AND HOUSING SCHEME FUND**

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



Revised 30th June 2022



MERU COUNTY GOVERNMENT
OFFICE OF THE CLERK
MERU COUNTY ASSEMBLY



**COUNTY ASSEMBLY OF MERU MEMBERS CAR LOAN AND HOUSING
SCHEME FUND**

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

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

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1. Key Entity Information and Management

a) Background information

The County Assembly of Meru Members Car Loan and Housing Scheme Fund is established by and derives its authority and accountability from The County Assembly Service Act 2017 on 28th June, 2019. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

The fund's objective is to provide loan facilities for the purchase, development, renovation or repair of residential houses and purchase of personal motor vehicles to members of the scheme.

The Fund's principal activity is to consider and approve applications for loans presented to it in accordance with existing terms for borrowing.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to be a model fund that meets the needs of the membership in the attainment of decent housing for members. The fund has a mission to grow the fund to enable all the members get car loans and housing loans benefit from the fund.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Joseph Kaberia I.A, MBS	Chairperson
2	Mr. Jacob Kirari	Secretary
3	Hon. Victor Karithi Mutuma	Member
4	Hon. Ayub Bundi Solomon	Member
5	Hon. Josphat Mugambi	Member
6	Hon. John Kithinji Ethaiba	Member
7	Hon. Linas Thiaine Athinya	Member
8	Hon. Lucy Makena Jason	Member

d) Key Management

Ref	Name	Position
1	Mr. Jacob Kirari	Clerk
2	Mr. Lawrence Gitaari Ndi	Director- Finance and Accounting
3	Mr. Stanley Kipkosgei Karonai	Principal Finance Officer

e) Registered Offices

P.O. Box 3-60200
County Assembly of Meru
Kenyatta Highway
Meru, KENYA

f) Fund Contacts

Telephone: (254) 708 777 000
E-mail: assembly@meru.go.ke
Website: www.meru.go.ke

g) Fund Bankers

1. Equity Bank Ltd
Njuri Ncheke Street,
P.O. Box 400,
Meru 60200,
Meru, Kenya.

h) Independent Auditors






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

i) Principal Legal Adviser




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

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**




2. The Board of Trustees (or any other governing body for the Fund)

NO	IMAGE	NAME	D.O.B	DESIGNATION
1.		Hon Joseph Kaberia I.A, MBS Academic Profile -LLB, Diploma In Law(KSL) -MBA -Pursuing Phd	1970	-Chairman
2.		Hon Victor Karithi Mutumah -MCA Athwana Ward Academic Profile -Degree UON	05.12.1979	Member
3.		Hon Ayub Bundi Solomon -MCA Abuthuguchi Central Ward Academic Profile Bachelor of Education(Moi)	01.01.1969	Member
4.		Hon Linus Thiaine Athinya -MCA Kiguchwa Ward	20.07.1975	Member
5.		Hon John Kithinj Ethaiba MCA Nkomo Ward Academic Profile -Diploma	1964	Member

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

		<p>Hon Josphat Mugambi MCA Kanuni Ward Academic Profile O Level</p>	<p>03.05.1980</p>	<p>Member</p>
<p>7.</p>		<p>Hon Lucy Makena Jason Nominated MCA Academic Profile -Degree in Community Development -Diploma in Governance and Leadership -Pursuing Certificate in Senior Management</p>	<p>1967</p>	<p>Member</p>
<p>8.</p>		<p>Mr. Jacob Kirari Academic Profile -Bachelor of Business Administration -MBA -Pursuing Bachelors of Laws</p>	<p>1968</p>	<p>-County Assembly Clerk -Secretary</p>

3. Management Team

Name	Details of qualifications and experience	D.O.B	DESIGNATION
1. 	Mr. Jacob Kirari Academic Profile -Bachelor of Business Admin -MBA -Pursuing degree in Law	1968	Clerk
2. 	Mr. Lawrence Gitari Ndi -CPA(K) -BBA -MBA	1971	Director Finance and Accounting
3. 	Mr. Stanely Kipkosgei Karonai -CPA(K) -CPS(K) -BBA -Dip. Project Management	04.01.1979	Deputy Director-Finance

4. Board/Fund Chairperson's Report

It is my pleasure to present, on behalf of the County Assembly of Meru Members Car Loan and Housing Scheme Fund, the County Assembly of Meru Members Car Loan and Housing Scheme Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured. However, Kshs. 140,000,000/= was paid to members of the fund as Transport Facilitation Benefit following a presidential directive and subsequent approval by the Salaries and Remuneration Commission. The fund invested Kshs. 83,160,000/= in a Fixed Deposit Account with Family Bank of Kenya at a rate of 7%.

Review of performance

Income

There was no additional revenue in the year under review. The fund earned interest income amounting to Kshs. 7,446,300/= from the fund in the year ended 30th June 2021.

Expenditures

There was no disbursements made in the financial year 2020/2021 since all the current members have benefited from car loans and housing scheme loans in previous financial years. The total expenditures during the period amounted to Kshs. 9,262,786 /=.

Future outlook

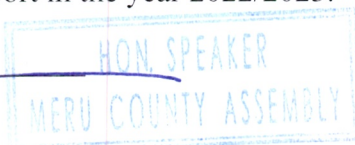
The outlook of the Fund for 2022/2023 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund has budgeted Kshs. 140,000,000/=in the budget estimates for the financial year 2022/2023 to fill the capital gap occasioned by the granting of Transport Facilitation Benefit in February 2021.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Meru and the County Assembly of Meru, the management committee and staff for their continued support which has enabled us to attain these results.

I look forward to your continued support in the year 2022/2023.

Signed: _____



Hon. Ayub Bundi Solomon

Chairman, County Assembly of Meru Car Loan and Housing Scheme Fund

5. Report of the Fund Administrator

It is my pleasure to present the County Assembly of Meru Members car loan and housing scheme fund financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

The fund was established on 21st June 2018 and started with an initial amount of Kshs 350,000,000/=

Financial Performance

a) Revenue

In the year ended 30th June 2022, the fund did not receive any transfers from the exchequer.

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

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Revenue	KShs	KShs	
Transfers from County Assembly	0	0	
Interest income	7,446,300	7,446,300	100%
Total income	7,446,300	7,446,300	100%

The management committee of this fund invested Kshs. 40,000,000/= at Family Bank of Kenya for an initial 6 month period from 6th August 2021 to 6th February 2022. Further investments of Kshs. 85,640,788.10, Kshs. 40,514,192/=, Kshs. 110,000,000/= and Kshs. 49,500,000/= were made on 6th August 2021, 16th November 2021, 27th April 2022 and 23rd May 2022 respectively. This is one of the strategies that the fund is using to grow the fund and bridge the capital gap that was occasioned by the approval of the transport facilitation benefit. This approach was aimed at investing all idle funds in fixed deposits.

b) Loans

During the financial period under reporting, the fund did not disburse any loans to members. This is because all the MCAs and the Speaker had benefited from the fund in prior financial years. Since inception, the County Assembly of Meru Members Car Loan and Housing Fund has in total disbursed loans amounting to Kshs. 370,120,000/= to 71 applicants. This has ensured that all the members of the Current Assembly have been facilitated to have a car or house to enable them execute their constitutional mandate of legislation, oversight and representation more effectively.

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Program	Objective	Outcome	Indicator	Performance
Disbursement to all beneficiaries	To provide car loans and housing scheme funds for all MCAs	All MCAs accessed the loans	71 MCAs benefited in 2020-2021	All MCAs benefited by the financial year 2021-2022

The car loan and housing scheme fund enabled all the members of the County Assembly of Meru to purchase motor vehicles and construct or purchase residential premises. As a risk management strategy, the County Assembly ensured that all the collateral used by the members to access the loans were properly secured and the title deeds charged accordingly at the lands registry. Further, all the members of the County Assembly undertook in writing to commit that their gratuity be used to offset the loan balances if any at the end of the term.

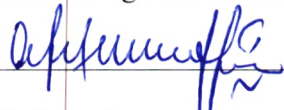
The loans taken by the members of the County Assembly were also insured for the entire period of the loans.

Cash flows

In the FY 2020/2021, we had a reduction in the seed capital as a result of the implementation of the transport facilitation benefit to the tune of Kshs. 140,000,000/= for the Members and Speaker of the County Assembly of Meru. In the financial year 2022/2023, the County Assembly has made budgetary provisions to provide funds to increase the revolving fund back to Kshs. 350,000,000/=. This will accommodate all MCAs applications for car loan and housing scheme funds.

c) Conclusion

I take this opportunity to thank the board of trustees for their support. I would also want to thank all staff whom we have worked hand in hand to ensure that County Assembly of Meru Members car loan and housing fund achieves its mission.

Signed:  _____

Charles M. Launi
Fund Administrator

6. Statement of Performance against the County Fund’s Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan for 2018-2022 are to:

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- c) Supervise the day to day running of the fund

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Disbursement to all beneficiaries	To provide car loans and housing scheme funds for all MCAs	All MCAs accessed the loans	71 MCAs benefited in 2020-2021	All MCAs benefited by the financial year 2020-2021

7. Corporate Governance Statement

The County Assembly of Meru Members Car Loan and Housing Scheme Fund management committee held 6 meetings between 1st July 2021 and 30th June 2022. The meetings were fully attended. The Salaries and Remuneration Commission circular is used to pay the members sitting allowances as follows: Chairperson –Kshs. 6,500/=, Vice Chairperson Kshs. 5,200/= and Members Kshs. 3,900/=

Section 6 (1) of the County Assembly of Meru Members Car Loan and Housing Scheme Fund Regulations, 2019 appoints the following as members of the loans management committee:

- a) One member of the County Assembly Service Board nominated by a resolution of the Board who shall be the Chairperson,
- b) The Leader of the Majority Party of the County Assembly,
- c) The Leader of the Minority Party of the County Assembly,
- d) Majority Party Whip of the County Assembly,
- e) Minority Party Whip of the County Assembly,
- f) Two members of the County Assembly being one man and one woman appointed by the County Assembly, and
- g) The Clerk of the County Assembly who shall be the secretary to the committee and *ex officio* member.

Unless the regulations are amended, the membership of the management committee shall stand as above listed. A member who loses a position at the County Assembly that qualified him or her as a member of the committee automatically loses the membership. The current membership will hand over to the new members after the 2022 General Elections.

The committee shall perform the following functions:

- d) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- e) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- f) Supervise the day to day running of the fund

The fund conducted an induction training for the members of the committee together with the secretariat in Mombasa in August 2019. The induction was conducted by Parliamentary staff owing to their experience in the management of Parliament's car loan and mortgage fund. There is no service charter for the fund and no conflict of interest has been reported. The

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

management committee spent Kshs. 268,450/= in sitting allowances during the financial year 2021/2022. No ethics and governance audit was undertaken within the year under review.

The fund has not developed a board charter. There was no change in the management team of the fund in the year under reporting. No conflict of interest was reported.

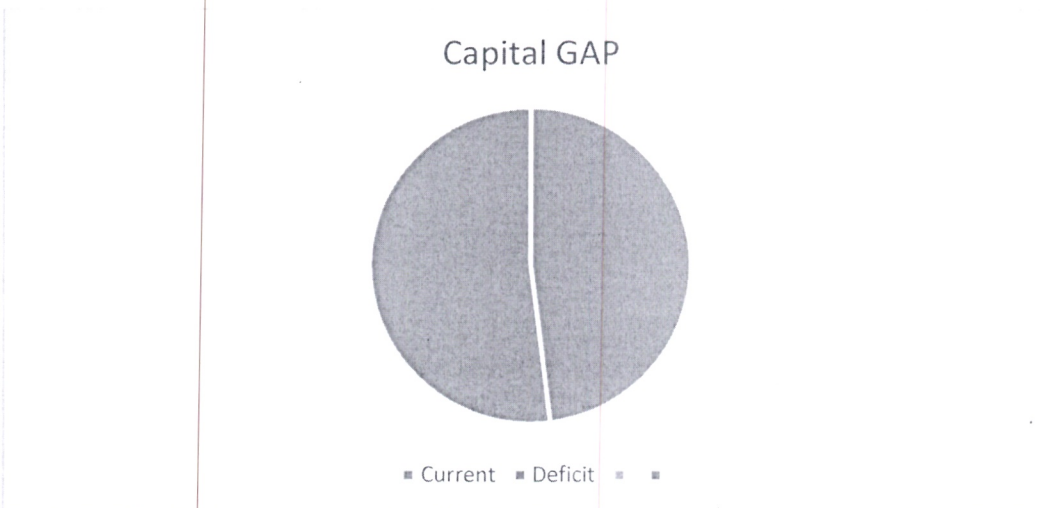
8. Management Discussion and Analysis

The County Assembly of Meru Members Car Loan and Housing Scheme Fund started with a seed capital of Kshs. 350,000,000/=. The seed capital has now reduced to Kshs. 210,000,000/= owing to the payment of transport facilitation benefit of Kshs. 140,000,000/=. Each MCA was paid Kshs. 2,000,000/= each while the Hon. Speaker was paid Kshs. 4,000,000/=.

In the year under review, no funds were disbursed to loan applicants. The management committee is optimistic that it will grow the fund to be able to meet all the needs of the members of the County Assembly. In pursuit of the aforementioned goal, the management committee of this fund invested Kshs. 40,000,000/= at Family Bank of Kenya for an initial 6 month period from 6th August 2021 to 6th February 2022. Further investments of Kshs. 85,640,788.10, Kshs. 40,514,192/=, Kshs. 110,000,000/= and Kshs. 49,500,000/= were made on 6th August 2021, 16th November 2021, 27th April 2022 and 23rd May 2022 respectively. This is one of the strategies that the fund is using to grow the fund and bridge the capital gap that was occasioned by the approval of the transport facilitation benefit. This approach was aimed at investing all idle funds in fixed deposits.

The County Assembly of Meru Members Car Loan and Housing Scheme Fund Management Committee has disbursed car loans and mortgages to all the members of the County Assembly of Meru. The recoveries from the payroll are received on a monthly basis and the committee is optimistic that by the end of the current legislative term, the seed capital will be available to be disbursed to the new members starting August 2022.

This will be attained through the annual budget process where the management committee intends to source for an additional Kshs. 140,000,000/= in the financial year 2022/2023 to seal the capital gap created as a result of implementation of the transport facilitation benefit in the year under review. This measure would ensure that the seed capital is restored to Kshs. 350,000,000/= before the next assembly in August 2022.



There is a risk of the fund failing to attain its objectives if the seed capital is not enhanced by September 2022.

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

The fund management committee is in discussions to look into various options for investments to grow the fund into a self-sufficient and robust fund that will meet the future objectives of the fund.

There is pending payment of Kshs. 42,000,000/= which arose from non-recovery of PAYE from car grants to members of the County Assembly. This has been recovered from members' gratuity at the end of their term in the financial year 2022/2023.

9. Environmental and Sustainability Reporting

The County Assembly of Meru Members Car Loan and Housing Scheme exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile –

The management is committed to ensure that the fund is built up progressively to the level where all the members of the County Assembly would access loan on a timely basis. The decision to invest in fixed deposit is geared towards achieving this goal in the long term.

2. Environmental performance

The fund has not developed an environmental policy.

3. Employee welfare

The fund has not hired staff but makes use of the existing County Assembly establishment. The human resource policy guides the hiring process

4. Market place practices-

The organisation should outline its efforts to:

- a) Responsible competition practice.
The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by adhering to the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020.
- b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) Responsible marketing and ethical marketing practices are complied with by ensuring that the registered suppliers are accorded an equal opportunity in the market through the use of open tendering which are advertised in local dailies.
- d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. Community Engagements-

The County Assembly of Meru did not engage in any corporate social responsibility activities in the year under review.

10. Report of The Trustees

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

Principal activities

The principal activities of the Fund are:

- (a) To provide loan facilities for;
 - (i) Purchase, development, renovation or repair of residential houses; and
 - (ii) Purchase personal motor vehicles to members of the scheme
- (b) To raise funds for the implementation of the objectives of the fund

Results

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

Trustees

The members of the fund management committee who served during the year are shown on pages v and xi. There were no changes in the fund management committee during the financial.

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. Ayub Bundi Solomon

Chair of the Fund Administration Committee

Date: 28th September 2022

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

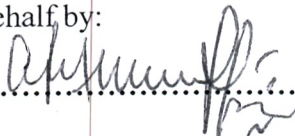
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 27th September, 2022 and signed on its behalf by:

.....


Charles M. Launi

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 MERU COUNTY ASSEMBLY MEMBERS CAR LOAN AND HOUSING SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 Meru County Assembly Members Car Loan and Housing Scheme Fund set out on pages 1 to 38 which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial

Report of the Auditor-General on Meru County Assembly Members Car Loan and Housing Scheme Fund for the year ended 30 June, 2022

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Meru County Assembly Members Car Loan and Housing Scheme Fund as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the County Assembly of Meru Members (Car Loan and Housing Scheme Fund) Regulations, 2019.

Basis for Qualified Opinion

1.0 Accuracy of the Financial Statements

1.1 Variances in the Financial Statements

The following variances were noted between the statement of financial position and Notes to the financial statements;

- i. The statement of financial position reflects current portion of long-term receivables from exchange transactions of Kshs.3,277,298. However, Note 12 reflects receivables from exchange transactions of Kshs.51,591,287 resulting to unreconciled variance of Kshs.48,313,989.
- ii. The statement of financial position reflects PAYE receivables of Kshs.42,000,000. However, Note 13 reflects prepayments with Nil balance resulting to an unexplained variance of Kshs.42,000,000.
- iii. The statement of financial position reflects receivables of Kshs.6,313,989. However, Note 14 reflects inventories with Nil balance resulting to an explained variance of Kshs.6,313,989.
- iv. The statement of financial performance reflects interest income of Kshs.7,446,300 while the statement comparison of budget and actual amounts reflects Kshs.6,286,113 on the same item resulting to a variance of Kshs.1,160,187.
- v. The statement of financial performance reflects use of goods and services of Kshs.9,262,786 while the statement of comparison of budget and actual amounts reflects Kshs.8,102,599 on the same item resulting to a variance of Kshs.1,160,187.

1.3 Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2022 reflects loan disbursements paid out of Kshs.42,000,000. Although Management explains that the amount was paid to the seventy (70) members with each receiving Kshs.600,000, no plausible explanation or

supporting documents were provided on why the members were being paid the amount and whether the same was a loan or not.

In the circumstances, the accuracy of the statements of cash flows for the year ended 30 June, 2022 could not be confirmed.

2.0 Unsupported Expenditure on Committee Allowances

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an amount of Kshs.9,262,786 in respect to use of goods and services which include Kshs.7,401,885 on administration fees which further includes Kshs.5,572,100 being facilitation allowance for travel and accommodation for the Management Committee travel to Nairobi.

However, review of the payment vouchers revealed that the surrender of the imprest was not supported with relevant documents including the attendance registers, minutes of deliberations from the meetings and work tickets.

Further, the meetings were undertaken outside the duty station although the participants were drawn from the County Assembly contrary to Section 12 of The National Treasury Circular Ref No 20/2015 of 4 November, 2015 which states that accounting officer shall ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station.

In the circumstances, the accuracy and value for money for the expenditure amount of Kshs.5,572,100 could not be confirmed. In addition, the Management was in breach of the law.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.9,168,311 and actual on comparative basis of Kshs.6,286,113 resulting to under-funding of Kshs.2,882,198 (or 31% of the budget).

Similarly, the approved expenditure budget was Kshs.9,168,311 and the actual expenditure was Kshs.8,102,599 resulting to under- absorption of Kshs.1,065,712 (or 12% of the budget).

The under-funding and under- expenditure of the approved budget indicates that some activities and projects in the annual work plan were not implemented thus affecting the achievement of the intended objectives and negatively affecting service delivery to the public.

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. However, some issues remained unresolved as at 30 June, 2022 contrary to Section 149 (2) (I) of Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Presentation of Financial Statements

The following was noted on the presentation of the financial statements;

- i. The statement of financial position reflects current portion of long-term receivables from exchange transactions shown as disclosed in Note 12. However, Note 12 reflects receivables from exchange transactions.
- ii. The statement of financial position reflects PAYE receivables as disclosed in Note 13. However, Note 13 reflects prepayments which is not similar.
- iii. The statement of financial position reflects receivables as disclosed in Note 14. However, Note 14 reflects inventories which is not similar.
- iv. The statement on progress on follow up of prior year Auditor's recommendations on page 37 is not signed contrary to PSASB financial reporting framework.

In the circumstances, the financial statements do not comply with the PSASB financial reporting framework

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the services 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 (1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

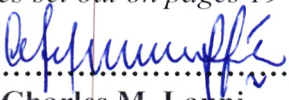
20 April, 2023

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

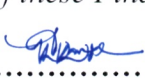
13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	7,446,300	5,285,139
Other Income	5	-	-
		7,446,300	5,285,139
Total Revenue		7,446,300	5,285,139
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	9,262,786	5,123,106
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		9,262,786	5,123,106
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		-1,816,486	162,032

(The notes set out on pages 19 to 29 form an integral part of these Financial Statements)



 Name: Charles M. Launi
 Administrator of the Fund



 Name: CPA Stanley Kipkosgei Karonai
 Fund Accountant
 ICPAK Member Number: 8068

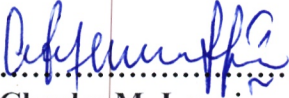
County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	164,994,753	108,950,031
Current Portion of Long- Term Receivables From Exchange Transactions	12	3,277,298	93,714,348
PAYE Receivables	13	42,000,000	-
Receivables	14	6,313,989	13,792,026
		216,586,041	216,456,405
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	1,946,122
		-	1,946,122
Total Assets		-	218,402,527
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		-	-
Net Assets		216,586,041	218,402,527
Revolving Fund		210,000,000	210,000,000
Reserves		-	-
Accumulated Surplus		6,586,041	8,402,527
Total Net Assets and Liabilities		216,586,041	218,402,527

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27th September, 2022 and signed by:



.....
Name: Charles M. Launi
Administrator of the Fund

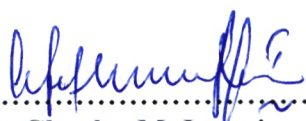


.....
Name: CPA Stanley Kipkosgei Karonai
Fund Accountant
ICPAK Member Number: 8068

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	350,000,000	-	8,240,495	358,240,495
Surplus/(Deficit) For the Period		-	162,032	162,032
Funds Received During the Year	-	-	-	-
Transfers	-140,000,000			-140,000,000
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	210,000,000	-	8,402,527	218,402,527
Balance As At 1 July 2021	210,000,000	-	8,402,527	218,402,527
Surplus/(Deficit) For the Period		-	-1,816,486	-1,816,486
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	210,000,000	-	6,586,041	216,586,041

(Provide details on the nature and purpose of reserves)



.....
Name: Charles M. Launi
Administrator of the Fund



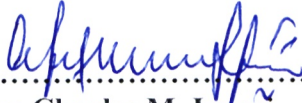
.....
Name: CPA Stanley Kipkosgei Karonai
Fund Accountant
ICPAK Member Number:8068

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		7,446,300	5,285,139
Receipts from other operating activities		-	-
Total receipts		7,446,300	5,285,139
Payments			
Fund administration expenses		9,262,786	5,123,106
General expenses		-	-
Finance cost		-	-
Other payments		9,262,786	5,123,106
Net cash flows from operating activities	21	-1,816,486	162,033
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		99,861,208	84,697,826
Loan disbursements paid out		42,000,000	140,000,000
Net cash flows used in investing activities		56,044,722	-55,302,174
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		56,044,722	-55,140,141
Cash and cash equivalents at 1 july	11	108,950,031	164,090,173
Cash and cash equivalents at 30 june	11	164,994,753	108,950,031

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022



.....
Name: Charles M. Launi
Administrator of the Fund



.....
Name: CPA Stanley Kipkosgei Karonai
Fund Accountant
ICPAK Member Number: 8068

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

17. Statement of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.	-	-	-	-	-	
Interest Income	9,168,311	-	9,168,311	6,286,113	2,882,198	69%
Other Income	-	-	-	-	-	
Total Income	9,168,311	-	9,168,311	6,286,113	2,882,198	
Expenses						
Fund Administration Expenses	9,168,311	-	9,168,311	8,102,599	1,065,712	89%
General Expenses	-	-	-	-	-	
Finance Cost	-	-	-	-	-	
Total Expenditure	9,168,311	-	9,168,311	8,102,599	1,065,712	
Surplus For The Period	-	-	-	-1,816,486	-	

18. Notes to the Financial Statements

1. General Information

The County Assembly of Meru Members Car Loan and Housing Scheme Fund is established by and derives its authority and accountability from The County Assembly Service Act 2017 on 28th June, 2019. The Fund is wholly owned by the County Government of Meru and is domiciled in Kenya.

The entity's principal activity is to:

- a) Consider and approve applications for loans presented to it in accordance with existing terms and conditions for borrowing;
- b) Liaise with a housing company (if any) to set up a revolving fund for the disbursement of the loans
- c) Supervise the day to day running of the fund

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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; • 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> <ol 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; <p>and</p>

County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<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>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p>

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly. 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 did not record additional appropriations on the FY 2021-2022 budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on 7 of these financial statements.

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

f) Inventories

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

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

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

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

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

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

g) Provisions

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

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

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

Contingent liabilities

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

Summary Of Significant Accounting Policies (Continued)

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The 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.

k) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

l) Borrowing costs

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

m) Related parties

The 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.

n) Cash and cash equivalents

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

o) Comparative figures

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

p) Events after the reporting period

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

q) Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

r) Currency

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

Summary Of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the 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.

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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6. Notes To The Financial Statements

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

2. Transfers from County Government

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

3. Fines, penalties and other levies

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

(Provide brief explanation for this revenue)

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Car Loan & Mortgage Loans	1,031,826	3,965,031
Interest Income From Investments	6,414,474	1,320,108
Interest Income On Bank Deposits	-	-
Total Interest Income	7,446,300	5,285,139

(Provide brief explanation for this revenue)

Notes to the Financial Statements Continued

5. Other income

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

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

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Withholding Taxes on Interest Income	1,160,187	-
Administration Fees	7,401,885	5,123,106
Committee Allowances	268,450	-
Bank Charges	5,133	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	350,731	-
Postage And Courier	-	-
Printing And Stationery	15,600	-

**County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Description	2021/22	2020/21
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Stamp Duty	60,800	-
Total	9,262,786	5,123,106

8. Depreciation and Amortization Expense

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

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Car Loan and Mortgage Account	5,494,753	108,950,031
County Mortgage Account	-	-
Fixed Deposits Account	159,500,000	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	164,994,753	108,950,031

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

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed Deposits Account			
Family Bank	063000066244	110,000,000	84,480,108
Family Bank	063000066486	49,500,000	-
Sub- Total		159,500,000	84,480,108
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Family Bank	06300061872	4,494,753	24,419,923.35
Equity Bank	0140276191615	-	50,000
Sub- Total		4,494,753	24,469,923.35
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		164,994,753	108,950,031

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	3,277,298	93,714,348
Other Exchange Debtors	48,313,989	13,792,026
Less: Impairment Allowance	-	-
Total Current Receivables		107,506,374
Non-Current Receivables		
Long Term Loan Repayments Due	-	1,946,122
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	51,591,287	109,452,493

Additional disclosure on interest receivable

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

13. Prepayments

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

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14. Inventories

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

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Notes To The Financial Statements (Continued)

15. Property, plant and equipment

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

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Notes To The Financial Statements (Continued)

16. Intangible assets

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

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade And Other Payables	-	-

18. Provisions

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Notes To The Financial Statements (Continued)

19. Borrowings

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

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

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

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

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

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

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Notes To The Financial Statements (Continued)

20. Employee benefit obligations

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

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	-9,262,786	5,123,106
Adjusted For:	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	(7,446,300)	(5,285,139)
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	-1,816,486	162,033

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

Other Disclosures

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

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Other Disclosures Continued

e) Due to related parties

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

23. Contingent assets and contingent liabilities

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

(Give details)

County Assembly of Meru Members Car Loan and Housing Scheme Fund
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Other Disclosures Continued

24. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	51,591,287	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	164,994,753	-	-	-
Total	216,586,040	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	109,452,493	93,714,348	15,738,145	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	108,950,031	-	-	-
Total	218,402,524	93,714,348	15,738,145	

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

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

b) Liquidity risk management

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

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

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

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c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

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

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

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

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2022: KShs xxx). A rate

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increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2021 – KShs xxx)

d) Capital risk management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	210,000,000	210,000,000
Accumulated surplus	6,586,041	8,402,527
Total funds	216,586,041	218,402,527
Total borrowings	-	-
Less: cash and bank balances	(164,994,753)	(108,950,031)
Net debt/(excess cash and cash equivalents)	(164,994,753)	(108,950,031)
Gearing	76%	50%

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.0	Inaccuracies in the Statement of Cash flows			
1.1	Variances in comparative Balances	The County Assembly did not have borrowings in the year under review.	Resolved	
1.2	Unreconciled Variances in proceeds from Loan Principal repayments	The clerk is committed to ensure compliance	Not Resolved	1 st July, 2022
2.0	Unreconciled Receivables from Exchange Transactions	The clerk is committed to ensure compliance	Not Resolved	1 st July, 2022
3.0	Unsupported cash and cash Equivalents	The audit issue has been noted and the cashbook for fixed deposit account prepared.	Resolved	
Report on lawfulness and effectiveness in use of public resources				
1.0	Non-compliance with the public sector Accounting Standards Board Requirements	The clerk is committed to ensure compliance	Not Resolved	1 st July, 2022
2.0	Unremitted Statutory Deductions and other Dues	The clerk is committed to	Not Resolved	1 st July, 2022

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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)
		ensure compliance		
3.0	Non-compliance with the car loan and Housing Scheme Fund Regulations	The clerk is committed to ensure compliance	Not Resolved	1 st July, 2022
4.0	Irregular Expenditure on Committee Meetings	The clerk is committed to ensure compliance	Not Resolved	1 st July, 2022
Report on effectiveness of internal controls, risk management and governance				
	Failure to carry out internal audit on car loan and mortgage Fund	The fund has not recruited any staff and relies on existing capacity. The clerk is committed to ensure compliance	Not resolved	1 st July, 2022