

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**KITUI COUNTY ASSEMBLY SERVICE BOARD
EMPLOYEES' CAR & MORTGAGE
FUND SCHEMES**

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
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OFFICE OF THE AUDITOR GENERAL
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Revised 30th June 2024

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**KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR & MORTGAGE
FUND SCHEMES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

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**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28th January, 2015. The fund's authority and accountability is derived from the Public Finance Management (PFM) Act 2012. The fund is wholly owned by the County Government of Kitui, domiciled in Kenya.

The main objective of the fund is to provide members of staff with affordable loans to purchase either a motor vehicle or buy, develop, renovate or repair a residential property. Therefore, principal activity of the fund is to give car loans and mortgages to members of staff.

The scheme was established pursuant to the Salaries and Remuneration Commission's (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) of 14th February 2014 and in line with the PFM regulations, 2015. The above circular provided the basic guidelines on how the scheme was to be implemented for seamless accessed by the officers.

The County Assembly Service Board formulated and approved regulations to govern the scheme's operationalization on 17th March 2015. These regulations offered both guidance and a legal premise during the implementation of the scheme. In addition, the board approved the administration of the scheme to be managed internally by the Clerk of Assembly in line with the regulations.

b) Principal Activities

The principal activity of the fund is to provide members of staff with an opportunity to access affordable car loans and mortgages.

Vision

"The fund of choice for members of staff of County Assembly of Kitui."

Mission

"To provide affordable, accessible and sustainable car loans and mortgages to members of staff of County Assembly of Kitui."

Core Values

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

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c) Fund Administration Committee

Ref	Position	Name
1.	Board member- Chairperson of the Fund Committee	Hon. Hussein Mwandia
2.	Principal Finance Officer – Member	Augustus M. Kyenze
3.	Ag. Senior Legal Counsel – member	Mercy M. Kilonzi
4.	Procedural Clerk – Member	Josphat K. Kwanda
5.	Ag. Principal Human Resource Officer	Mary M. Mulima
6.	Senior Administrative Officer – Member	Harrison O. Ouma
7.	Senior Sergeant-At-Arms -Member	Lawrence M. Kirigwi
8.	Fund Administrator (Clerk of the Assembly upto 31 st May 2024)	Elijah M. Mutambuki
9.	Fund Administrator (Ag. Clerk of the Assembly w.e.f 1 st June 2024)	Lucy N. Waema

d) Key Management Team

Ref	Position	Name
1.	Fund Administrator (Clerk of the Assembly upto 31 st May 2024)	Elijah M. Mutambuki
2.	Fund Administrator (Ag. Clerk of the Assembly w.e.f 1 st June 2024)	Lucy N. Waema
3.	Principal Finance Officer	Mr. Augustus M. Kyenze
4.	Fund Accountant	Mr. Mutua Mwendwa
5.	Procedural Clerk	Mr. Josphat K. Kwanda
6.	Ag. Principal Human Resource Officer	Mrs. Mary Musyoka
7.	Senior Sergeant-At-Arms	Mr. Lawrence M. Kirigwi
8.	Senior ICT Officer	Mr. Kevin M. Ndeto
9.	Senior Administration Officer	Mr. Harrison O. Ouma

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Risper M. Joseph

f) Registered Offices

P.O. Box 694 – 90200, Kitui
County Assembly of Kitui Chambers,
Mutomo - Kibwezi Road,
Kitui, Kenya

g) Fund Contacts

Telephone: 044-22914
E-mail: kituiassembly@gmail.com
Website: www.kituiassembly.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O. Box 683-90200
Kitui, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser

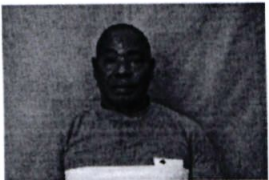




The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

k) County Attorney





N/A

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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3. Fund Administration Committee






Name	Details of qualifications and experience
<p>1. Hon. Hussein Mwandia</p> 	<p>He is elected member of County Assembly on NARC party ticket. He is a member of the County Assembly Service Board. He is the chairperson of the loans management committee representing the board.</p>
<p>2. Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Acting Clerk of Assembly. She is the vice-chairperson of the loans management committee.</p>
<p>3. Charles N. Nyaga</p> 	<p>He was born in 1976 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being an Accountant of municipal council. He has Masters of Science in Finance from KCA University. He is currently the acting Deputy Clerk of Assembly. He is the vice-chairperson of the loans management committee.</p>
<p>4. Augustus M. Kyenze</p> 	<p>Born in 1980. He has Masters in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer</p>
<p>5. Mercy M.Kilonzi</p> 	<p>She was born in 1990 and holds of Bachelor of Law LLB from University of Nairobi and a Diploma in law from Kenya School of Law. She has commendable exposure in matters of law. Currently she is the acting Senior Legal Counsel.</p>
<p>6. Josphat K.Kwanda</p>	<p>Born in 1976 and a Holder of Bachelor of Education. Currently pursuing master's in Public Management at</p>

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	<p>South Eastern University. He has extensive experience in banking sector having risen through the ranks to branch manager level. He is the Principal Clerk Assistant and the Head of Legislative Practices and procedures in the County Assembly.</p>
<p>7. Mary M. Mulima</p> 	<p>She was born in 1976 and is holder of Business Administration (Human Resource Management). She has wealth of experience in human resource management and development having worked in different institutions including Mombasa Water and Sanitation company. Currently she is the acting head of Human Resource.</p>
<p>8. Lawrence M. Kirigwi</p> 	<p>Born in 1973. Holds Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms and security department</p>
<p>9. Harrison O. Ouma</p> 	<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently he heads the Administration Department</p>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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4. Management Team

Name and Passport Photo	Details of qualifications, experience, date of birth, work experience and responsibility
<p>Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the acting Clerk of Assembly</p>
<p>Augustus M. Kyenze</p> 	<p>Born in 1980. He has Masters in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer</p>
<p>Mary M. Musyoka</p> 	<p>She was born in 1976 and is holder of Business Administration (Human Resource Management). She has wealth of experience in human resource management and development having worked in different institutions including Mombasa Water and Sanitation company. Currently she is the acting head of Human Resource.</p>
<p>Lawrence M. Kirigwi</p> 	<p>Born in 1973. Holds Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms and security department</p>
<p>Kevin M. Ndeto</p> 	<p>He was born in 1988. Holds Bachelor of Science in Computers. Brings along wealth of experience in computer management. Currently he is the head of ICT Department.</p>

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<p>Harrison O. Ouma</p> 	<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently, he heads the Administration Department</p>
<p>Josphat K. Kwanda</p> 	<p>Born in 1976. Holder of Bachelor of Education. Currently pursuing master's in Public Management at South Eastern University. Experienced in school management and Assembly procedures. He is the head of Legislative Practice & Procedure department</p>
<p>Mutua Mwendwa</p> 	<p>Born in 1983. He has a degree in Business Administration-Accounting from Maseno University, CPA (K), and is a Certified Fraud Forensic Examiner (CFFE). He is experienced in public finance management having served in senior positions in finance. He is currently the Fund Accountant.</p>

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2024

5. Fund Chairperson's Report

It is my pleasure to present the Kitui County Assembly Service Board Employees' Car & Mortgage Fund financial statements for the year ended 30th June 2024 on behalf of the management committee.

Board and Management Change

There were changes in the board of management team with Mary Musyoka replacing Erastus Ndeleva as the Principal Human Resource Officer in the loans management committee who resigned from the service of the county assembly in the financial year.

Review of performance

The fund performance is commendable since revenue earned from interest increased to Kshs. 5,845,090 being an increase of 4.3% from the previous year. The increment in revenue can be attributed to significant efforts employed to inspire staff apply for the loans. The expenditure incurred during the year was Kshs. 1,700,212 consisting of; committee sitting allowances of Kshs. 487,280, committee accommodation Kshs. 1,169,340 training fee Kshs. 40,000 and bank charges Kshs.3,592

The committee has so far processed and approved nineteen (19) car loans and Forty-Five (45) mortgage applications for disbursement amounting to Kshs. 32,725,810 and Kshs. 240,821,575 respectively. All the approved car loans were fully disbursed to members upon receipt of the required documents. However, the approved mortgages were partially paid to beneficiaries to the tune of Kshs. 229,781,596 The un-disbursed mortgage of Kshs. 11,038,979 awaits submission of project completion certificates by the beneficiaries.

Future outlook

The prospect of the fund appears optimistic and reassuring as the Assembly continues to empower its staff. We endeavour to focus massively on improving the scheme in order to motivate the workforce for efficient and effective service delivery. The committee believes that the County Treasury shall continue supporting the fund financially to facilitate the realization of her objective.

Challenges Faced

Despite the positive impact of the fund, we encountered numerous challenges during the year. These ranged from; lack of required lien to secure the loans, over-committed payslips, and delayed disbursements from the National Treasury. These challenges offered the committee a learning experience on how to enhance the fund's uptake in the future.

Conclusion

The committee is committed to supporting the County Assembly Service Board in fulfilling the requirements of Section 12 (7) of the County Governments Act 2012 while realizing the spirit of

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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the Salaries and Remuneration Commission of attracting, motivating, and retaining qualified workforce. I sincerely appreciate the Clerk of the Assembly and his management team for their continued support. I urge them to remain focused on the right priorities as we continue to strengthen the County Assembly.



**HON. HUSSEIN MWANDIA
FUND CHAIRPERSON**

DATE: 5th December 2024

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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6. Report of The Fund Administrator

It is my pleasure to present the Kitui County Assembly Service Board Employees' Car & Mortgage Fund for the year ended 30th June, 2024. The financial statements present the performance of the fund over the past year.

This fund was established on 28th January 2015 through enactment of guiding regulations as advised by the SRC.

a) Financial Performance

(i) Budget Performance

The fund did not receive any additional allocation from the county treasury during the year under review.

(ii) Capital Fund

Kitui County Treasury has since disbursed Kshs. 196,207,234 as revolving fund to the schemes.

(iii) Revenue

In the year under review, the fund earned gross interest of Kshs. 5,845,090 being an increase of 4.3% from the previous year. The gross revenue earned by the fund since inception amount to Kshs. 32,081,729 and incurred expenditure of Kshs. 2,936,458 Therefore, the net profit generated by the fund since inception is Kshs. 29,145,271

(iv) Loans

In the year under review, the Assembly disbursed monies to One (1) car loan Kshs. 1.5M and Eleven (11) mortgage applicants amounting to Kshs. 29,672,523. Cumulatively, sixty-four (64) members of staff have benefited from both car loans and mortgage schemes since inception with actual disbursements standing at Kshs. 262,507,406

The principal loans recovered from both car loans and mortgages amount to Kshs. 79,584,405 The outstanding loans as at 30th June, 2024 amounted to Kshs. 182,923,001. The management closely monitors loan repayments to make sure that no loan falls outstanding after the retirement of any beneficiary.

(v) Cash flow

The loan management committee employed timely planning and proper loan recovery strategy during the year. Loan recoveries were done by the county payroll through the Integrated Personnel and Payroll (IPPD) system. This minimized the chances of default and other risks therein. The total principal loan repaid since the inception of the scheme amounts to Kshs. 79,584,405 for both car loans and mortgages. The committee maintains a positive cash flow since any consideration of loan application is always subject to the availability of cash. The current bank balance is Kshs. 42,429,504 which is sufficient to cover some new loan applications.

There committee experienced a few financial disruptions following delays in receiving disbursements from the National Treasury. Cash flow challenges were mitigated by employing reliable recovery measures of the loans through the payroll.

(vi) Future Outlook

The scheme is indeed a success and a motivation to the Assembly. Its future looks guaranteed and generally acceptable by all the staff. The main focus now is to strengthen the fund with a motivated workforce in order to enhance efficiency and effectiveness in service delivery. We look forward to continued financial support from the County Treasury and development partners as we realize our mandate.

b) Program Performance

The fund targeted only the members of staff whose responsibilities fall under administration and support services program. The intention was to facilitate all staff with affordable car loans and mortgage facilities. In this year, twelve (12) members of staff benefited from both car loans and mortgages.

c) Value for money achievements

The Committee employed a raft of measures in order to guarantee suitable application of the monies. These included; creating a sub-committee to inspect projects before disbursement of funds to any beneficiary. This ensured that all mortgages and car loans disbursed were fully secured and valuation reports provided. These measures curbed misuse of the fund and ensured the ultimate attainment of value for money.

d) Implementation challenges

There were a number of challenges faced while implementing the scheme. These ranged from; lack of required lien for the loans, over committed payslips of the officers, delay in disbursements and long period taken to perfect the securities due to bureaucratic procedures involved. Consequently, the committee employed a raft of measures to counter the challenges by forming a sub-committee to speed up the inspection of projects and holding frequent meetings.

The entity has a bright future since there is enough budget to cover all staff. The Assembly's strategy in achieving its agenda is to work closely with the staff to assist them in handling possible challenges hindering them from accessing the loans. The strategy includes conducting training on personal budget and financial discipline for all members of staff.

e) Risk management strategies

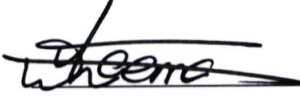
The highest risk attributed to the fund is the default of repayment by beneficiaries. However, the management employed a suitable recovery strategy whereby the loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll (IPPD) system. This indeed abated the chances of loan default.

f) Conclusion

The year presented a number of momentous challenges to the institution leading to low uptake of the loans. These were financial challenges and lack of lien from the staff to secure the loans. These challenges acted as a learning ground for the management therefore revitalising efforts to achieve the objective of the fund. I believe that more staff will apply for these low interest loans in future.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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We shall remain committed as a team to serve the public better every day, in this challenging and indeterminate environment. The focus shall be on the future goals including improving the welfare of our staff. I am confident we shall propel our county to greatness while serving the public at the heart of everything we undertake.



**LUCY N. WAEMA
Ag. CLERK OF ASSEMBLY**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key objectives of the Kitui County Assembly Service Board Employees' Car & Mortgage Fund in financial year 2023-2024 plan are to:

- a) Facilitate the members of staff with affordable loans to acquire decent residential houses.
- b) Facilitate the members of staff with affordable loans to acquire motor vehicles.

Progress on the attainment of Strategic development objectives

Below is the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of car loan facilities to all members of staff	To facilitate the members of staff with affordable loans to acquire motor vehicles.	Number mortgages successfully applied	1.25% of members of staff have benefited from the car loan scheme	In FY 2023/2024 – One (1) member of staff received car loans.
Provision of Mortgage facilities to all members of staff	To facilitate the members of staff with affordable loans to acquire decent residential houses	Number mortgages successfully applied	13.75% of the members of staff have benefited from the mortgage scheme	In FY 2023/2024, – eleven (11) members of staff received mortgages.

Implementation Challenges

Though the scheme has had a positive impact to the welfare of the staff, the committee has faced numerous challenges during the implementation. These includes;

- a) **Overcommitted pay-slips by** some civil servants who had already acquired loans from other commercial banks hence hindering them from applying for the car loans or mortgage.
- b) **Title Deeds used as security registered in the name of the applicant's parents**
This posed a serious legal challenge in the future if consent to charge was not acquired from the other beneficiaries of the said Title Deed.
- c) **Lack of Title Deeds** - This has hindered some members of staff from applying for mortgages since they lack the necessary lien for the loan.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2024

8. Corporate Governance Statement

The Fund's Committee

The scheme is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Loans Management Committee at its apex. The Committee provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability

Section 6 (1) of the fund regulations established a loans management committee known as the Car and Mortgage Loan Management Committee. It is the only body mandated to oversee the implementation of the said schemes. Its membership consists of: -

- a) One Board member to represent the Board - the chairperson of the committee.
- b) The Deputy Clerk of the Assembly- the Vice-chairperson of the committee.
- c) The Principal Finance Officer
- d) The Senior Legal Counsel
- e) The person in charge of the legislative and procedural Department
- f) The Head of the Human Resource Department
- g) One Senior Administrative Officer
- h) The Fund Administrator (ex-officio)

The process of appointment and removal of the trustees is spelt out by the governing regulations.

The Committee Meetings

The meetings of the Committee were convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the its functions. The members were given appropriate and timely information on key activities of the committee. Specifically, they were provided with all the available information in respect of items to be discussed at a meeting prior to availing themselves. The committee met 5 times to execute her mandate during the year. A number of loan applications were considered and approved during the year. Members' attendance was commendable since most of the time the meeting was a full house.

Functions of the Committee

Section 6 (6) of these regulations provides the loan management committee with the mandate to consider and approve loan applications presented by the fund administrator. The committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The County Assembly Service Board of Kitui passed the regulations in 9th September 2015 to guide the implementation of the SRC recommendation on state officers and civil servants' car loans and mortgages. These regulations are namely; 1) Regulations for the operationalization of

Corporate Governance Statement (Continued)

the Kitui County Assembly Service Board Employees' Car Loan Funds Scheme and 2) Regulations for the operationalization of the Kitui County Assembly Service Board Employees' Mortgage Funds Scheme. The responsibilities have been spelt out well by the regulations governing the funds management. In addition, the succession plan is well guided by the said regulations since the membership of the board of trustee has been laid well under Section 6 (1)

Committee Allowances

Members of the loan management committee earned sitting allowance as per Ministry of Devolution and Planning Circular Ref. No. MSPS.2/1AVOL.XLVIII/ (119) dated 2nd August 2013. These allowances were paid only upon holding a successful meeting.

Statement of Compliance

The committee confirms that the fund complied with statutory and regulatory requirements throughout the year. It was managed in accordance with the principles of good corporate governance.

Ethics and Conduct

The members of the committee exercised highest standards of honesty and integrity as per chapter six of the Kenya Constitution 2010 and in accordance with the principle of good governance. They ensured ethical behaviour and complied with relevant laws, regulations, audit, accounting principles, corporate policies, procedures and code of ethics while performing their duties.

Conflict of Interest

The committee is under fiduciary duty to act with honesty in the best interest of the fund. Any business transacted was at arm's length and fully disclosed. Members promoted diversity across the organisation with regards to age, gender, ethnic and the cultural background amongst committee members and employees. In dispensing their duties, members could not discriminate any loan applicant based on the above aspects.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Processes and controls are interrogated frequently. We occasionally carry out a risk-based audit, which provides assurance over key processes, operational and financial risks facing the fund.

The internal audit considered significant control matters raised by management and both the internal and external auditors and reported its findings to the board. Where weaknesses were identified, the committee ensured that management took appropriate action. No significant downfalls or weaknesses were identified during the year.

Succession plan

The fund has a well spelt succession plan as elaborated by the governing regulations.

Service charter

The fund does not have any service charter.

Induction and training

The fund did not carry any training during the year.

Auditor

The fund is audited by the Auditor-General.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2024

9. Management Discussion and Analysis

Operational Performance

This report is particularly important since a number of staff in the assembly have so far acquired new cars and others residential houses from the inception of the fund. This in deed have improved their morale tremendously. The fund had disbursed total of Kshs.32,725,810 as car loans and Kshs.229,781,596 as mortgage by 30th June, 2024. Cumulatively, loans disbursed to members of staff amount to Kshs. 262,507,406 This trend is encouraging and reassures a bright future performance for the scheme. The committee expects more loan applications in the coming years if the current status is anything to go by.

As of June 2024, the total principal loans recovered from the members of staff amount to Kshs. 79,584,405 with the loan balance standing at Kshs.182,923,001. The scheme has earned a total net interest of Kshs. 29,145,271 since inception growing the fund balance to Kshs. 225,352,505 from the Kshs.196,207,234 received from the County Treasury.

The fund is currently administered internally under the supervision of the Clerk of the Assembly.

Compliance with Statutory Requirements

The committee acknowledges its statutory responsibility of paying fringe benefit taxes on these loans. The rate of interest charged of 3% is less than the prescribed rate by the Kenya Revenue Authority Commissioner, a fringe benefit tax is payable by the employer. The County Assembly has been paying these taxes on a timely basis as required by the Income Tax Act. Sufficient budget allocation has been approved to cater for the same.

Additionally, the fund has secured a life protection policy for members of staff against death or permanent disability. This is in compliance with the requirement of the regulations that all loans disbursed be insured and secured with a perfected Title Deed or a joint registered logbook.

Implementation Challenges

Though the schemes have had a positive impact on the welfare of the staff, the committee has faced numerous challenges during its implementation. These include;

a) Lack of Title Deeds

The committee agrees to the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hinders some members of staff from applying for mortgage loans since they lack the necessary security.

b) Delays in Disbursements of Funds

There were delays in receiving disbursement of funds from the National Treasury hence affecting the payment of approved loans to respective members of staff.

c) Title Deeds used as security registered in the name of applicant's parents

The regulations direct that, all loans disbursed must be fully secured either with Title Deed or log-books registered under applicants' name or a third party. Some third-party Title Deeds presented

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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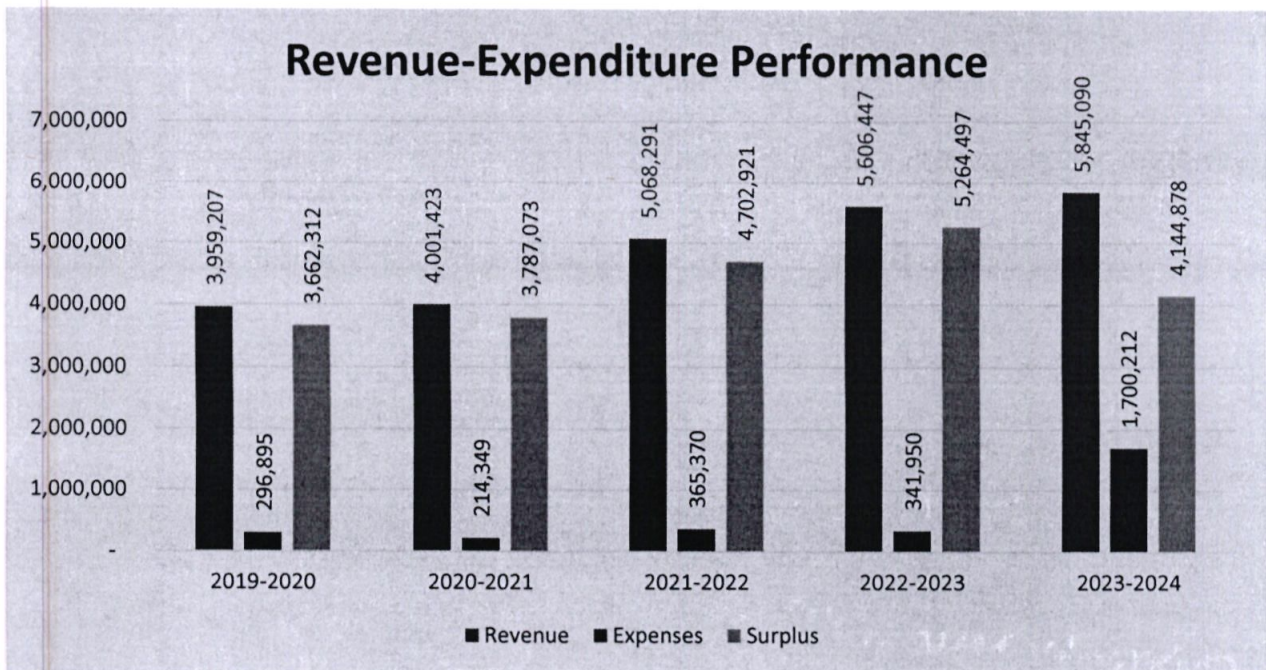
as security for the mortgage loans were in the names of the applicant's parent. This pose a serious legal challenge in future if consent to charge is not acquired from the other beneficiaries of the said Title Deed.

Financial Performance

The committee reviewed most aspects of the financial reporting framework and made changes to ensure we remain in line with both the latest regulatory requirements and best practices.

The funds' revenue grew tremendously due to an increase in loans uptake. The performance for the last five (5) years is as shown below;

Year	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Revenue	3,959,207	4,001,423	5,068,291	5,606,447	5,845,090
Expenses	296,895	214,349	365,370	341,950	1,700,212
Surplus	3,662,312	3,787,073	4,702,921	5,264,497	4,144,878



Risks facing the Fund

The highest risk attributed to the fund is default by members. However, the management employed proper loan recovery strategy during the year. The loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll (IPPD) system hence minimizing the chances of default. The fund has complied with all statutory obligations including paying of fringe benefit taxes and submission of reports hence there are no outstanding obligations whatsoever.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

Key Project

The sole objective of the fund is to provide members of staff with affordable loans to acquire cars or residential houses. This shall offer facilitation during their official work with the County Assembly. This agenda has been fully met since most of the staff have benefited from either the car loan, mortgage or both.

10. Environmental and Sustainability Reporting

The fund did not carry out any CSR activity during the year

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2024

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are to provide car loans and mortgages to members of staff of the County Assembly.

Results

The results of the Fund for the year ended June 30, 2024 are set out on page 1 to 3.

Trustees

The members of the Board of Trustees who served during the year are shown on pages vi to vii. There were changes in the Board of Management during the financial year. Mary Musyoka replaced Erastus Ndeleva as the principal human resource officer in the loans management committee who resigned in 2024.

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. Hussein Mwandia
Chair of the Fund Administration Committee

Date: 5th December 2024

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015 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, 2024. 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 Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015. 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, 2024, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 5th December 2024 and signed on its behalf by:

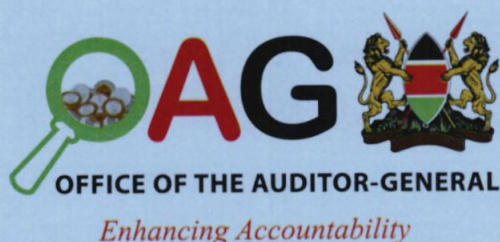


LUCY N. WAEMA

ADMINISTRATOR OF THE FUND

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR & MORTGAGE FUND SCHEMES FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 of the Auditor-General on Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes for the year ended 30 June 2024

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes set out on pages 1 to 38 which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes as at 30 June, 2024 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 Kitui County Assembly Service (Board Employees', Car and Mortgage Fund Schemes) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Doubtful Receivables

The statement of financial position and as disclosed in Note 13 to the financial statements reflect current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.19,386,234 and Kshs.163,536,767 respectively totalling Kshs.182,923,001. However as previously reported, review of mortgage files revealed that one beneficiary applied for a loan of Kshs.5,016,843 for renovation / repair and mortgage buy-off and was approved in January 2019. Review of the minutes from loan Committee indicated that the said officer's employment was terminated in March 2022, and he had defaulted on instalments payments from November 2021. Accumulated arrears stood at Kshs.4,928,932 as at 30 June 2022, however, Management had not demonstrated any measures taken to recover the loan arrears. Further, no adjustment had been made by way of provisions for doubtful debts receivables.

In the circumstances, the recoverability of the doubtful loan amount of Kshs.4,928,932 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Management in accordance with ISSAI 130

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, a paragraph was raised under the Report on Financial Statements. However, Management has not resolved the issue as provided by the Public Sector Accounting Standards Board templates.

Other Information

Management is responsible for the other information set out on page iii to xxiii which comprise of Key Entity Information and Management, Fund Administration Committee, Management Committee, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance, Management Discussions and Analysis, Environmental and Sustainability Reporting, Report of Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Other Non-Compliance

1.1 Lack of Interim Certificates Prior to Disbursement of Funds

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.163,536,767 and as disclosed in Note 13 to the financial statements. Included in the amount is Kshs.8,946,691.90 in respect of three (3) loans disbursed during the year under review. However, review of loan disbursements documents revealed that there were no interim certificates issued for subsequent loan disbursements. This is contrary to Regulation 9(1)(b) of the Kitui County Assembly Service Board Employees' Mortgage Fund Scheme Rules and Regulations, 2015 which stipulates that subsequent loan disbursements should be based on the rate of completion of the various phases of development as certified by a qualified architect at the cost of the applicant.

In the circumstances, Management was in breach of the law

1.2 Failure to Pay Rates, Rents and Insurance

Review of loan disbursements records revealed that there were no receipts showing proof that the borrowers had paid land rates, rents and insurance for the properties acquired. This is contrary to Regulation 15(2)(b) of the Kitui County Assembly Service Board Employees' Mortgage Fund Scheme Rules and Regulations, 2015 which stipulates that the borrower shall meet and pay all rates, rents, insurance and any other outgoings in respect of the property and send the proof of such payments to the Board.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Report of the Auditor-General on Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes for the year ended 30 June 2024

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Fully Secure Loans Disbursed

Review of loan applications documents revealed that four (4) mortgage loans amounting to Kshs.10,133,313 were issued during the year under review. However, the value of securities charged were lower than the loans applied for and granted. This is contrary to Regulation 17 of the Kitui County Assembly Service Board Employees' Mortgage Funds Scheme Rules and Regulations, 2015 which stipulates that the Board may call in a loan and in default, sell the charged property by public auction or private treaty where the borrower is in breach of the terms under the loan agreement, or the covenant contained in the charge of the mortgage instrument subject to the Provisions of the Land Act, 2012.

In the circumstances, the effectiveness of the measures put in place to recover the loans disbursed amounting to Kshs.10,133,313 in case of a default could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2024


Report of the Auditor-General on Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes for the year ended 30 June 2024

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

14. Statement of Financial Performance for the Year Ended 30th June 2024

	Note	FY2023/2024	FY2022/2023
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0	0
Transfers from the County Government	2	0	0
Fines, penalties and other levies	3	0	0
Revenue from exchange transactions			
Interest income	4	5,845,090	5,606,447
Other income	5	0	0
		5,845,090	5,606,447
Total revenue		5,845,090	5,606,447
Expenses			
Employee Costs	6		
Use of goods and services	7	1,700,212	341,950
Depreciation and Amortization Expense	8	0	0
Finance costs	9	0	0
Total expenses		1,700,212	341,950
Other gains/losses			
Gain/loss on disposal of assets	10	0	0
Gain /Loss on fair value of investments	11	0	0
Surplus/(deficit) for the period		4,144,878	5,264,497

The notes set out on pages 18 to 38 form an integral part of these Financial Statements



Lucy N. Waema
Administrator of the Fund



Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

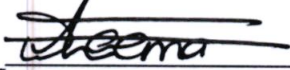
**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

15. Statement of Financial Position As at 30 June 2024

	Note	FY2023-2024	FY2022-2023
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	12	42,429,504	60,061,486
Current portion of long term receivables from exchange transactions	13	19,386,234	15,350,034
Prepayments	14	0	0
Inventories	15	0	0
Investments in financial assets	16	0	0
Total Current assets		61,815,738	75,411,520
Non-current assets			
Property, plant and equipment	17	0	0
Intangible assets	18	0	0
Long term receivables from exchange transactions	13	163,536,767	145,796,106
Investment Property	19	0	0
Total non- current assets		163,536,767	145,796,106
Total assets (A)		225,352,505	221,207,626
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	0	0
Current Provisions	21	0	0
Current portion of borrowings	22	0	0
Employee benefit obligations	23	0	0
Social benefit liabilities	24	0	0
Total current liabilities		0	0
Non-current liabilities			
Non-Current Provisions	21	0	0
Long term portion of borrowings	22	0	0
Non-current employee benefit obligation	23	0	0
Long term Social benefit liabilities	24	0	0
Total liabilities (B)		0	0
Net assets		225,352,505	221,207,626
Revolving Fund		196,207,234	196,207,234
Reserves		0	0
Accumulated surplus		29,145,271	25,000,392
Total net assets and liabilities		225,352,505	221,207,626

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

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 5th December 2024 and signed by:



Lucy Waema
Administrator of the Fund



Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

16. Statement of Changes in Net Assets for the year ended 30th June 2024

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2022	188,886,734	0	19,735,895	208,622,629
Surplus/(deficit) for the period	0	0	5,264,497	5,264,497
Funds received during the year	7,320,500.00	0	0	7,320,500
Revaluation gain	0	0	0	0
Balance as at 30 June 2023	196,207,234	0	25,000,392	221,207,626
Balance as at 1 July 2023	196,207,234	0	25,000,392	221,207,626
Surplus/(deficit) for the period	0	0	4,144,879	4,144,879
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2024	196,207,234	0	29,145,271	225,352,505

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	FY2023/2024	FY2022/2023
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		0	0
Interest received		5,845,090	5,606,447
Receipts from other operating activities		0	0
Total Receipts		5,845,090	5,606,447
Payments			
Employee Costs		0	0
Use of goods and services		1,700,212	341,950
Depreciation and Amortization Expense		0	0
Finance costs		0	0
Total Payments		1,700,212	341,950
Net cash flows from operating activities	25	(17,631,982)	(512,417)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0	0
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	7,320,500
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		0	7,320,500
Net increase/(decrease) in cash and cash equivalents		(17,631,982)	6,808,083
Cash and cash equivalents at 1 JULY 2023		60,061,486	53,253,403
Cash and cash equivalents at 30 JUNE 2024		42,429,504	60,061,486

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Funds
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison Of Budget And Actual Amounts For The Period 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	Jun 2024	Jun 2024	Jun 2024	Jun 2024	Jun 2024	Jun 2024
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	0	0	0	0	0	0%
Transfers from County Govt.	0	0	0	0	0	0%
Interest income	6,000,000	0	6,000,000	5,845,090	154,910	97%
Other income	0	0	0	0	0	0%
Total income	6,000,000	0	6,000,000	5,845,090	154,910	97%
Expenses						
Fund administration expenses	2,000,000	0	2,000,000	1,700,212	299,788	85%
General expenses	0	0	0	0	0	0%
Finance cost	0	0	0	0	0	0%
Total expenditure	2,000,000	0	2,000,000	1,700,212	299,788	85%
Surplus for the period	4,000,000	0	4,000,000	4,144,878	0	0

Budget notes

1. Finance costs- These were bank processing charges. During the year under review, there were few transfers hence bank transactions had low charges.
2. There were no changes to the original budget during the financial year
3. Fund Administration expenses-These were budgeted funds to cater for committee sitting allowances, travelling and accommodation expenses during the year. The budget was underutilization by 15% since the committee combined some project inspection site visits instead of carrying each separately hence saving on some allowances.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kitui County Assembly Service Board Employees' Car & Mortgage Fund entity is established by Kitui County Assembly Service Board and derives its authority and accountability from Public Finance Management (PFM) Act 2012. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya. The entity's principal activity is to provide members of staff with an opportunity to access affordable car loans and mortgages.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>There was no impact of the amendment to IPSAS 43 with respect to the current financial report.</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

	<p><i>There was no impact of the amendment to IPSAS 44 with respect to the current financial report.</i></p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <i>There was no impact of the amendment to IPSAS 45 with respect to the current financial report.</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value. <i>There was no impact of the amendment to IPSAS 46 with respect to the current financial report.</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. <i>There was no impact of the amendment to IPSAS 47 with respect to the current financial report.</i></p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from</p>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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	<p>transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>There was no impact of the amendment to IPSAS 48 with respect to the current financial report.</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>There was no impact of the amendment to IPSAS 49 with respect to the current financial report.</i></p>

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2023-2024

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Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2023-2024 was approved by the County Assembly on June 14, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations of Nil on the FY 2023-2024 budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.

c) Property, plant and equipment

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

a) 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.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *The find did not have investments in property during the year under review.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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Summary of Significant Accounting Policies (Continued)

c) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 18*.

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Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) 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.

e) 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.

f) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *The Fund does not maintain reserves.*

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.

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Summary of Significant Accounting Policies (Continued)

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.

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.

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21.

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.

The fund did not make provisions during the year under review.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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6. Notes To The Financial Statements (Continued)

1. Public contributions and donations

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Donation From Development Partners	0	0
Contributions From The Public	0	0
Total	0	0

2. Transfers from County Government

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Transfers From County Govt. –Operations	0	0
Payments By County On Behalf Of The Entity	0	0
Unconditional Development grants	0	0
Total	0	0

3. Fines, penalties and other levies

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Late Payment Penalties	0	0
Fines	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

4. Interest income

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Interest Income from Mortgage Loans	5,777,303	5,535,015
Interest Income From Car Loans	67,787	71,432
Interest Income From Investments in financial assets	0	0
Interest Income On Bank Deposits	0	0
Total Interest Income	5,845,090	5,606,447

These revenues came from the loan advances to members of staff the County Assembly during the said financial years.

5. Other income

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Insurance Recoveries	0	0
Income from Sale of Tender Documents	0	0
Bad debts recovered	0	0
Miscellaneous Income	0	0
Total Other Income	0	0

6. Employee Costs

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Salaries And Wages	0	0
Staff Gratuity	0	0
Staff Training Expenses	0	0
Social Security Contribution	0	0
Other (<i>Specify</i>)	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

Description	FY2023-24	FY2022-23
	Kshs.	Kshs.
General Office Expenses	0	0
Loan Processing Costs	0	0
Professional Services Costs	0	0
Administration Fees	1,696,340	336,430
Committee Allowances	0	0
Bank Charges	3,592	5,520
Electricity And Water Expenses	0	0
Fuel And Oil Costs	0	0
Insurance Costs	0	0
Postage And Courier	0	0
Printing And Stationery	0	0
Rental Costs	0	0
Security Costs	0	0
Telephone And Communication Expenses	0	0
Bank Charges	0	0
Audit Fees	0	0
Provision For Doubtful Debts	0	0
Other (<i>Specify</i>)	0	0
Social benefit expenses*	0	0
Total	1,700,212	341,950

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42

8. Depreciation and Amortization Expense

Description	FY2023-24	FY2022-23
	Kshs.	Kshs.
Property Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

9. Finance costs

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Interest On Bank Overdrafts	0	0
Interest On Loans From Banks	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

10. Gain/(loss) on disposal of assets

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

11. Gain/ (loss) on Fair Value Investments

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Investments at Fair Value- Equity investments	0	0
Fair value – Investment property	0	0
Fair value- other financial assets (specify)	0	0
Total Gain	0	0

12. Cash and cash equivalents

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Kitui County Car Loan Account	0	0
Kitui County Mortgage Account	42,249,504	60,061,486
Fixed Deposits Account	0	0
On – Call Deposits	0	0
Current Account	0	0
Others (<i>Specify</i>)	0	0
Total Cash And Cash Equivalents	42,249,504	60,061,486

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

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

Financial Institution	Account number	FY2023-24	FY2022-23
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		0	0
Equity Bank, Etc.		0	0
Sub- Total		0	0
b) On - Call Deposits			
Kenya Commercial Bank		0	0
Equity Bank - Etc.		0	0
Sub- Total		0	0
c) Current Account			
Kenya Commercial Bank		41,457,829	59,088,620
Kenya Commercial Bank		971,675	972,866
Sub- Total		42,249,504	60,061,486
d) Others(Specify)		0	0
Cash In Transit		0	0
Cash In Hand		0	0
Sub- Total		0	0
Grand Total		42,249,504	60,061,486

13. Receivables from exchange transactions

Description	FY2023-2024	FY2022-2023
	KShs	KShs
Current Receivables		
Interest receivable	0	0
Current loan repayments due	19,386,234	15,350,034
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total Current receivables	19,386,234	15,350,034
Non-Current receivables		
Long term loan repayments due	163,536,767	145,796,106
Total Non-current receivables	163,536,767	145,796,106
Total receivables from exchange transactions	182,923,001	161,146,140

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

Additional disclosure on interest receivable

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due	0	0
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

14. Prepayments

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Prepaid Rent	0	0
Prepaid Insurance	0	0
Prepaid Electricity Costs	0	0
Other Prepayments (<i>Specify</i>)	0	0
Total	0	0

15. Inventories

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Consumable Stores	0	0
Spare Parts And Meters	0	0
Catering	0	0
Other Inventories (<i>Specify</i>)	0	0
Total Inventories at The Lower of Cost and Net Realizable Value	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

16. Investments in financial assets

Description	FY2023-24	FY2022-23
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	0	0
CBK	0	0
Sub- total	0	0
b. Investment with Financial Institutions/ Banks		
Bank x	0	0
Bank y	0	0
Sub- total	0	0
c. Equity investments (specify)		
Equity/ shares in Entity xxx	0	0
Sub- total	0	0
Grand total	0	0

Movement of Equity Investments

Impairment allowance/ provision	FY2023-24	FY2022-23
	Kshs	Kshs
At the beginning of the year	0	0
Purchase of investments in the year	0	0
Sale of investments during the year	(0)	(0)
Gain/(loss) in fair value of investments through surplus or deficit	0	0
At the end of the year	0	0

e) Shareholding in other entities

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
	0	0	0	0	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

17. 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 2022	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	(0)	(0)	0	0	(0)
Transfers/Adjustments	0	0	0	0	(0)
At 30th June 2023	0	0	0	0	0
At 1st July 2023					
Additions	0	0	0	0	0
Disposals	(0)	0	0	0	(0)
Transfer/Adjustments	(0)	0	0	(0)	(0)
At 30th June 2024	0	0	0	0	0
Depreciation And Impairment					
At 1 st July 2022	(0)	(0)	(0)	(0)	(0)
Depreciation	(0)	(0)	(0)	(0)	(0)
Impairment	(0)	0	0	0	(0)
At 30th June 2023	0	0	0	0	0
At 1st July 2023					
Depreciation	(0)	(0)	(0)	0	(0)
Disposals	0	0	0	0	0
Impairment	(0)	(0)	0	0	(0)
Transfer/Adjustment	0	0	(0)	0	0
At 30th June 2024	0	0	0	0	0
Net Book Values					
At 30th June 2023	0	0	0	0	0
At 30th June 2024	0	0	0	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Cost		
At Beginning of The Year	0	0
Additions	0	0
At End of The Year	0	0
Amortization And Impairment		
At Beginning of The Year	0	0
Amortization	0	0
At End of The Year	0	0
Impairment Loss	0	0
At End of The Year	0	0
NBV	0	0

19. Investment Property

Description	FY2023-24	FY2022-23
	Kshs	Kshs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	(0)	(0)
Depreciation	(0)	(0)
Impairment	(0)	(0)
Gain/(loss) in fair value (if fair value is elected)	0	0
At end of the year	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	FY2023-24		FY2022-23	
	Kshs		Kshs	
Trade Payables	0		0	
Refundable Deposits	0		0	
Accrued Expenses	0		0	
Other Payables	0		0	
Total Trade and Other Payables	0		0	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (tie to above total)	0		0	

21. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	0	0	0	0
Additional provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount and time value for money	(0)	(0)	(0)	(0)
Total provisions year end	0	0	0	0
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

22. Borrowings

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments of External Borrowings During the Period	(0)	(0)
Repayments of Domestic Borrowings During the Period	(0)	(0)
Balance At End of The Period	0	0

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

Description	FY2023-24	FY2022-23
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	0	0
Sterling Pound Denominated Loan From 'Y Organization'	0	0
Euro Denominated Loan from Z Organization'	0	0
Domestic Borrowings	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0
Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
Total Balance at End of The Year	0	0

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

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	FY2023-24	FY2022-23
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit Obligation	0	0	0	0	0
Total	0	0	0	0	0

24. Social Benefit Liabilities

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

25. Cash generated from operations.

	FY2023-2024	FY2022-2023
	KShs	KShs
Surplus for the year before tax	4,144,879	5,264,497
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	(21,776,861)	(5,776,914)
Increase in payables	0	0
Net cash flow from operating activities	(17,631,982)	(512,417)

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

26. 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

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Transfers From Related Parties'	0	0
Transfers To Related Parties	0	0

c) Key management remuneration

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Board Of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes to the Financial Statements (Continued)

Other Disclosures

e) Due to related parties

Description	FY2023-24	FY2022-23
	Kshs	Kshs
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
Total	0	0

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY2023-24	FY2022-23
	Kshs	Kshs
Court Case Against the Fund	0	0
Bank Guarantees	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

28. 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 2023				
Receivables from exchange transactions	161,146,140	161,146,140	0	0
Receivables from non -exchange transactions	0.00	0.00		
Bank balances	60,061,486	60,061,486	0	0
Total	221,207,626	221,207,626	0	0
At 30 June 2024				
Receivables from exchange transactions	182,923,001	182,923,001	0	0
Receivables from non -exchange transactions	0	0		
Bank balances	42,429,504	42,429,504	0	0
Total	225,352,505	225,352,505	0	0

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Notes To The Financial Statements (Continued)

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

The entity has significant concentration of credit risk on amounts due from N/A

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2023				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0

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Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

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:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2024			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

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Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
FY2023-2024			
Euro	10%	0	0
USD	10%	0	0
FY 2022-2023			
Euro	10%	0	0
USD	10%	0	0

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 58,451 (2023: Kshs 50,183). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 207,244 (2023 – Kshs 263,225).

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To The Financial Statements (Continued)

d) Capital risk management.

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

	2023-2024	2022-2023
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	196,207,234	196,207,234
Accumulated surplus	29,145,271	25,000,392
Total funds	225,352,505	221,207,626
Total borrowings	0	0
Less: cash and bank balances	(42,429,504)	(60,061,486)
Net debt/(excess cash and cash equivalents)	182,923,001	161,146,140
Gearing	81%	73%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28th January 2015. The fund's authority and accountability are derived from the Public Finance Management (PFM) Act 2012. The fund is owned by the County Government of Kitui, domiciled in Kenya.

31. Currency

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

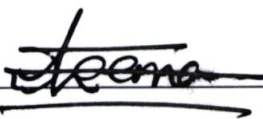
**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
1.0	<p><i>Doubtful Receivables</i></p> <p>The auditor observed that the financial statement included Kshs. 5,016,843.30 for renovation/ repair and mortgage buy-off. The loan was approved in January 2019. Information from the loans committee minutes indicates that the said officer was terminated from employment in March, 2022 and has defaulted on instalments since November 2021. Accumulated arrears those to Kshs. 4,928,932. The assembly management has not demonstrated measures undertaken to recover the loan. The recoverability of the amount remains in doubt.</p>	<p>The assembly concurs with the Auditor's observation that the repayment of the instalments for the said loan has stalled. The Assembly has issued a demand letter to the officer to repay the loan at a commercial interest rate since he was terminated on disciplinary basis according to the Regulations of Car & Mortgage for the Assembly employees. However the officer proceeded to court challenging his dismissal and the payment of the loan through Case No. E126 of 2022. The matter is yet to be resolved by the court hence the reason fromm the stalling of the loan repayment.</p>	Not Resolved	The officer took the case to court, a matter which is still pending court determination.


 LUCY N. WAEMA
 FUNDS ADMINISTRATOR

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Annex II: Inter-Fund Confirmation Letter

The Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund

[N/A]

[N/A]

The Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund wishes to confirm the amounts disbursed to you as at 30th June 2024 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2024							
Reference Number	Date Disbursed	Amounts Disbursed by the Fund (Kshs) as at 30 th June 2024				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2024 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A							
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Augustus Kyenze Sign [Signature] Date 5/12/24

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A

