

REPUBLIC OF KENYA



REPORT

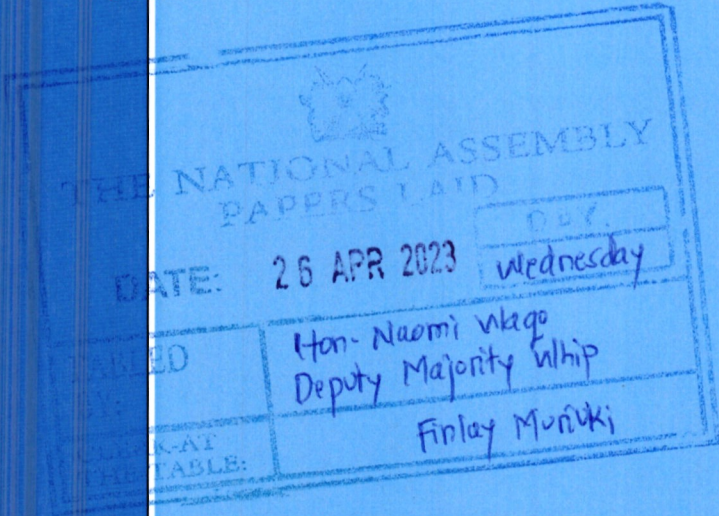
OF

THE AUDITOR-GENERAL

ON

**PUBLIC PROCUREMENT REGULATORY
AUTHORITY STAFF LOANS SCHEME FUND**

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







**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
PPRA STAFF LOANS SCHEME FUND
FOR THE YEAR ENDED 30TH JUNE 2022**

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

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The PPRA staff loans scheme fund (the Scheme) is established under Section 8 (1) of the Public Procurement and Disposal Act, 2015 (hereinafter referred to as 'PPADA, 2015') and is charged with monitoring, assessing and reviewing the public procurement and asset disposal system to ensure that they respect the national values and other provisions of the Constitution of Kenya, 2010.

The National Treasury through circular ZZ/MOF/26/03/06 dated 16th September 2015 issued the gazetted regulations for administration of staff loans schemes. Based on these regulations the Scheme developed a staff loans policy, car loan and mortgage procedures to govern the internal administration of the scheme. Consequently, the Scheme established a staff loans scheme to enable staff members own homes and vehicles by providing affordable credit facilities.

b) Key Management

The Scheme's day-to-day management is under the following key organs:

- The Public Procurement Regulatory Board
- Director General
- Loans committee

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

S/No.	Name	Designation
1.	Rose Nyamweya (Mrs.)	Chairperson – General Manager, Finance & Administration
2.	Ms. Pauline Opiyo	Member - Technical services directorate representative
4.	Lucy J. Barno	Member - Legal services representative
5.	James K. Kihara	Member - Human Resource & Admin representative
6.	Chris Sakwa	Member – Finance representative

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

d) Fiduciary Oversight Arrangements

The operations of the Loans Scheme are guided by Policy guidelines for PPRA staff loans scheme fund, PPRA motor vehicles loans procedures and PPRA mortgage loans procedures.

Key fiduciary arrangements covering the Scheme include:

- The Public Procurement Regulatory Board;
- Audit and Risk Committee;
- Finance and Administration Committee;
- Staff Loans committee; and
- Internal Audit.

e) Entity Headquarters

P.O. Box 58535-00200,
KISM Towers, 6th Floor,
Ngong Road,
Nairobi, Kenya.

f) Entity Contacts

Tel: +254 20 3244000
Email: info@ppra.go.ke,
Website: www.ppra.go.ke

g) Entity Bankers

Kenya Commercial Bank
KICC Branch
P.O Box 46950-00100
Nairobi, Kenya

h) Independent Auditors

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

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 - 00100
Nairobi, Kenya

THE BOARD OF DIRECTORS

The PPADA, 2015 has established two Boards; the Public Procurement Regulatory Board which is the Board of Directors of the Authority, and the Public Procurement Administrative Review Board, an independent quasi-judicial body that presides over public procurement disputes.

THE PUBLIC PROCUREMENT REGULATORY BOARD

The Public Procurement Regulatory Board (PPRB) is the management Board of the Public Procurement Regulatory Authority. The Regulatory Board is established under section 10(1) of the PPADA 2015. Its main responsibility being oversight of management, operations and activities of the Authority. The PPRB was constituted in September 2018.



Mr Andrew M. Musangi: Board Chairperson

Mr Musangi is an advocate of the High Court of Kenya with more than 26 years in legal practice. He is the managing partner at Mukite Musangi & Company Advocates and was previously an associate at Sheth & Wathigo Advocates.

He is a previous Chairman of the Law Society of Kenya, Rift Valley Branch and a past Director of the Kenya Rugby Union. From 2005-2012 Mr. Musangi served as a Council member of the Nakuru Business Association. He has also served as a Chairman, of the KRA Local Committee, South Rift Region

Currently Mr Musangi also serves as the Chairman of GenAfrica Asset Managers; and as a Director at Smart Applications and at Resolution Insurance.

He holds a Bachelor of Laws degree (LL.B) (Hons) from University of Hull (UK) and a Postgraduate Diploma in Law from Kenya School of Law

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Commissioner Lydia W. Gachoya: Board Member

Commissioner Lydia is a seasoned Human Resources specialist having worked in the private sector both locally and internationally up to Director level.

She has previously held the following positions: Head of HR, Unga Ltd; HR Team Leader, UN-The Netherlands; Regional HR Director, Colgate Palmolive and Commissioner, National Gender & Equality Commission.

Currently she serves as the Chairperson of the Finance & Administration Committee of the Public Procurement Regulatory Board. She is also the current Vice President, Regional Women Forum of International Conference of the Great Lakes Region. She also serves in the Board of St. Monica Childrens Orphanage in Machakos.

She holds; Bachelor of Education from the University of Nairobi and a Post Graduate Diploma in Institutional and Project Management.



Ms. Linda Susan Ingari: Board Member

Linda is a Supply Chain Management Specialist with over 19 years of experience having worked in the Manufacturing, Education, Telecommunication, Banking, and the Agriculture sector up to senior management level.

She currently serves as the Chairperson of the Compliance, Strategy and Communication Committee of the Regulatory Board.

Linda is also a Trainer and Consultant in Supply Chain Management with over 12 years of experience having facilitated various workshops and lectures in the SCM field. She spearheaded the development of the National Curriculum for Procurement and Supply Profession in Kenya. She currently serves in the Kenya Institute of Supplies Examination Board (KISEB). She holds a First-Class Honors bachelor's degree with a Master of Business Administration from Kenyatta University; Postgraduate Diploma in Procurement and Supply from Chartered Institute of Procurement and Supply (CIPS, UK); an International Diploma in Supply Chain Management from International Trade Centre (ITC, Switzerland) and a Diploma in Business Management from Kenya Institute of Management.

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Mr Paul Nyamodi: Board Member

Mr. Nyamodi is an Advocate of the High Court of Kenya with vast experience in legal practice. He has been practicing law for more than 22 years. He is the proprietor of V.A Nyamodi & Co Advocates and was previously an Associate at the same firm.

He is also a director at Jamii Bora Bank, at Brook House International Schools and Uhoreru Ltd. He has previously served as a director at the Kenya Rugby Union and as Chairman of the Privatization Appeals Tribunal

Mr Nyamodi is the current Chairman of the Debarment Committee of the Regulatory Board. He holds a Bachelor of Laws (LLB) degree from the University of Central England and a Diploma in Legal Practice from the Kenya School of Law



FCPA Jane Wanja Muthaura: Board Member

FCPA Jane has over 34 years' experience in the fields of Finance, Accounting and Company Secretary. Jane currently serves in among other positions as: Chairperson Salaries and Remuneration Commission (SRC) Audit committee, Director – Mhasibu Sacco, Director -Empire microsystem, Director – Association of Women Accountants of Kenya (AWAK).

She has previously held directorship and senior management positions in various institutions including: Director – Institutional Consultants Ltd, Council member - Institute of Certified Secretaries, Acting CEO – EACC, Director Finance & Admin – Mater Hospital, warehouse manager/chief accountant/Company secretary – East Kenya/Nairobi Bottlers Ltd.

FCPA Muthaura is the current Chairperson of the Audit and Risk Committee of the Regulatory Board. Jane holds Bachelor of Commerce (University of Nairobi, Master of Arts (ongoing) – Pan Africa Christian University. In addition she is a Certified Secretary, Certified Public Accountant, Certified Professional Mediator and Certified Financial Analyst. In addition, she holds professional membership of: Institute of Public Accountant of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Directors, Kenya Institute of Management, Institute of Certified Investments & Financial Analysts among others.

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED

Ms. Lilian M. Abishai: Board Member

Lilian has served as an alternate director at the Kenya Film Commission, and is a current alternate director at Kerio Valley Development Authority. She has a wealth of experience in negotiating high level financing, and contracts on behalf of the Government. She participated in the drafting of the Public Private Partnership legislation for Kenya.



Lilian holds a Bachelor of Laws degree from the University of Nairobi and a Diploma in Legal Studies from the Kenya School of Law.

Ms. Allyce Kureiya Esintelle: Board Member



Ms. Esintelle has 25 years of progressive experience in the promotion of good governance practices and social development, having worked with local and international organizations, as well government institutions.

She has served as the Vice Chairperson for the Intergovernmental Relations Technical Committee (IGRTC), one of the intergovernmental institutions established through the Intergovernmental Relations Act 2012.

Some of her key experiences include the strengthening the capacities of local organizations to manage their own development agenda, building strategic relationships between government institutions and the civil societies, and the development of lobby and advocacy strategies for effective and efficient public governance for service delivery.

She has worked with GTZ (now GIZ), a German Bilateral Technical Assistance Programme, and also The Netherlands Development Organization (SNV), an International Development Agency, both in Kenya and Tanzania. She is currently working as the Partnership Portfolio Manager, ChildFund Kenya.

Ms. Esintelle holds a Master of Arts in Leadership and Governance and a Bachelor of Education degree both from Kenyatta University.

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Livingstone Bumbe: Board Member

Mr Livingstone Bumbe is the alternate to the Cabinet Secretary/National Treasury on the Board. He is a Deputy Director, Debt Management at the National Treasury

He holds a Masters in Public Sector Management from the Africa University, Mutare, Zimbabwe and a Bachelor of Arts from the University of Nairobi.

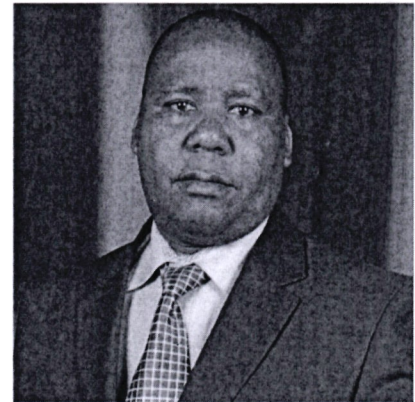
Dr. Godfrey Kyalo Makau: Board Member

Dr. Makau has vast experience in the education sector. He is trained in Business Management, sociology, marketing, information systems management and MIS strategy up to expert level.

He also has sound experience in government high-level leadership, and drawing of policy guidelines for allocation of resources and management of public funds within the public procurement sector.

Dr. Makau offers consultancy services in areas of eCommerce, eBusiness strategy and strategic management.

He is currently serving as a Lecturer at Jomo Kenyatta University of Agriculture and Technology. He holds a PhD. In Business Administration from University of Nairobi and a BA (Sociology, Kiswahili, History and Government) from Kenyatta University.



STAFF LOANS COMMITTEE



Mrs Rose M. Nyamweya
Chairperson
GM (Finance & Admin.)
PhD(Candidate), MBA, B.Com, CPA(K), CPS(K)



Lucy J. Barno
Corporation Secretary, Head of legal
& Corporate Services
LLM (Candidate), LLB, Dip (Law),
CPS (K), Advocate of the High Court



Ms. Pauline O. Opiyo
Manager, Compliance
MSc (Proc& Logistics), BA, CIPS
Dip(Forensic & Criminal investigation)



Chris Sakwa
Manager, Finance
MBA, BBM, CPA (K)



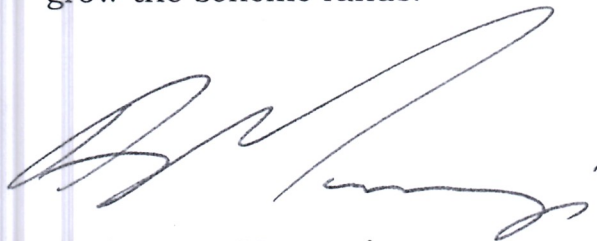
James K. Kihara
Manager, HR & Admin
MBA, BA, MCIPS

CHAIRMAN'S STATEMENT

I am pleased to present the Loans Scheme annual report for the financial year ended 30th June 2022. This report highlights the Scheme's achievements and steps undertaken towards the continued actualization of the purpose of enabling staff of the Authority to access affordable car loans and have descent housing through access to affordable mortgage loans.

The Scheme continued to review staff needs and the terms and conditions for lending to staff in order to make the loan application process easy. Towards this end, the Board received and considered various proposals from management to review the loan thresholds for different cadres of staff and how to make it easier for officers to access the loan facilities.

The Board reviewed and raised the threshold for mortgage in response to staff needs. The Board also recommended that the loans committee explores other revenue generation streams apart from interest charged on advanced loans to grow the scheme funds.



Andrew M. Musangi
Chairman, PPRB

REPORT OF THE SCHEME ADMINISTRATOR

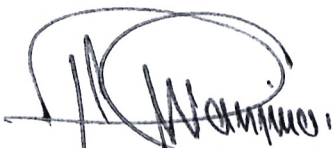
Public Procurement Regulatory Authority Staff loans Scheme was established in line with Government policy to aid Government employees access credit facilities for purchase of motor vehicles and purchase/construction of residential houses at affordable rates. This was informed by the need to be address the transport and housing challenges faced by its employees.

The staff loans scheme is administered internally due to the small seed capital that was allocated to set it up as it was not possible to outsource management at a fee within the prescribed Salaries and Remuneration Commission (SRC) rates. The Authority continues to pursue ways and means of raising funds to boost the funds so that in future the administration of the scheme can be outsourced at a competitive rate. Outsourcing will bring more expertise into the management of the scheme and enhance service delivery.

The scheme made good progress in achievement of its mandate of enabling staff of the Authority own residential houses and personal cars as it was able to disburse car and mortgage loans to five members of staff compared to just one member of staff in financial year 2020/2021. The Authority also reviewed the mortgage loan threshold. This is expected to generate more interest from staff in FY 2022/2023 and beyond.

The main challenge currently faced by the scheme is the issue of funding. The seed capital with which the scheme was set up is not enough to meet the needs of its staff.

The Authority thanks the National Government for the support extended towards funding of the scheme.



Patrick K. Wanjuki
DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

The Public Procurement Regulatory Board is committed to applying and maintaining the highest standards of corporate governance at the Scheme as it recognizes this to be a key contributor to the long-term success, value and sustainability of the Scheme.

Good corporate governance enables effective and efficient decision-making and gives a structural aid for the Board to discharge their duty to promote the success of the Scheme while taking into account the interest of stakeholders. Effective governance is achieved through a combination of strong policies, processes and structures, underpinned by the right values and culture.

The operations of the Scheme are guided by the Public Procurement and Asset Disposal Act, 2015 (the Act) and other relevant Acts of Parliament and Regulations. The Scheme has also adopted and continues to be guided by the Mwongozo code of governance in its operations.

The Public Procurement Regulatory Board

The Public Procurement Regulatory Board is established under section 10(1) of the Act. Further, the Act provides for a Regulatory Board to comprise of nine members. The Director General who is the Chief Executive Officer of the Scheme is the Secretary to the Board. The Regulatory Board is responsible for the long-term sustainability and success of the Scheme through provision of strategic leadership, steadfast oversight of management and ensuring that the Scheme provides its stakeholders with a balanced and understandable assessment of its current position and prospects.

Specifically, the functions of the Regulatory Board are:

- (a) Ensure the proper and effective performance of the functions of the Scheme;
- (b) Approve and ratify the policies of the Scheme;
- (c) Oversee the management, control and administration of the assets of the Scheme in a manner and for purposes that promote the object and purpose of the Scheme;
- (d) Receive any gifts, grants, donations or endowments made to the Scheme;
- (e) Determine the provisions to be made for capital and recurrent expenditure, and for the reserves of the Scheme;
- (f) Subject to concurrence of The National Treasury, approve the opening of bank accounts for the funds of the Scheme in accordance with the Public Finance Management Act, 2012; and

- (g) Subject to the approval of the Cabinet Secretary, invest any of the Scheme funds not immediately required for the purposes of the Act, as it may determine.

The Regulatory Board's leadership responsibilities involve working together with management and the loans committee to set Corporate values and to develop strategy including which risks it is prepared to take in pursuit of strategic objectives. Its oversight responsibilities involve providing constructive challenge to the loans committee in relation to operational aspects of the Scheme's business, including approval of budgets and probing whether risk management and internal controls are sound. It has the responsibility of ensuring that timely and understandable information is provided to stakeholders.

The Board has delegated the responsibility of management of the Scheme to the Director General, who is the scheme administrator and the loans committee. The main areas where the decisions remain with the Board are the approval of budget and annual corporate plan, approval of policies and approval of financial statements. The Board is also responsible for setting the Scheme's risk management policy.

Board Independence, Separation of Roles and Responsibilities

A clear division of responsibility exists between the Chairperson of the Board who is non-executive, the non-executive Board members and the Director General. Each of the responsibilities are clearly set out in writing. During financial year 2021/2022 the following were the members who served at the Board:

Board Composition

S.No	Name	Position	Appointment Date
1	Mr Andrew M. Musangi	Chairperson	06.10.2021
2	Commissioner Lydia W. Gachoya	Member	06.10.2021
3	Dr Godfrey K. Makau	Member	06.10.2021
4	Mr Paul Nyamodi	Member	06.10.2021
5	Allyce K. Esintele **	Member	06.10.2021
6	Ms. Lilian M. Abishai	Member	06.10.2021
7	Mr Livingstone Bumbe	Member	06.10.2021
8	FCCA Jane W. Muthaura	Member	15.11.2019
9	Ms. Linda S. Ingari	Member	15.11.2019

** Allyce K. Esintele joined the Regulatory Board in October 2021 and resigned in February 2022 to pursue other interests.

MANAGEMENT DISCUSSION AND ANALYSIS

The Scheme worked closely with all stakeholders to ensure smooth implementation of the Public Procurement and Asset Disposal Act 2015 and the attendant regulations. The financial and operational performance results of the Scheme are as detailed in the following sections.

1. FINANCIAL PERFORMANCE

During FY 2020/2021, the Scheme raised Ksh 650,261 to fund its operations. Out of this amount Ksh 9,638 was spent. The Scheme posted a surplus of Ksh 640,623 that is 98.5% of the revenues generated during the period.

2. OPERATIONAL PERFORMANCE

During the period under review, the Scheme issued to 2 members of staff car loans of Ksh 2,960,000 bringing the total value of car loans so far issued to Ksh 4,910,000. Over the same time, the Committee approved mortgage loan applications of Ksh 17,549,172.70.

The Committee noted the slow uptake of the loans facility and upon interrogating the matter to understand the underlying factors, it was discovered that the low threshold within which staff were to apply for loans and current commitments were the key reasons for the low uptake. To address the issue of the low uptake, the Regulatory Board reviewed the threshold for mortgage loans from Ksh 2m to Ksh 6m subject to SRC thresholds.

ENVIRONMENTAL AND SUSTAINABLE REPORTING

The PPRA staff loans scheme fund appreciates the need to preserve the environment by ensuring its operations do not adversely affect the environment. Some of the measures taken by the Scheme to preserve the environment include limiting printing and paperwork.

On sustainability, the Authority is working with relevant Government agencies to ensure sustainability of the Scheme. Some of the efforts made towards realizing this goal include; engaging The National Treasury for funding to grow the initial seed capital of Ksh 100m, charging interest on loans advanced and limiting the administrative expenses of the scheme.

In regard to administration of the Scheme; the Scheme is currently administered internally so as to save on administrative expenses that would have been paid if the scheme had been outsourced. However, as the Scheme grows, the Authority intends to outsource its administration to a financial institution at a competitive rate. Outsourcing administration of the Scheme will allow its operations to be managed more professionally and in a manner that guarantees sustainability.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Scheme's affairs.

Principal activities

The principal activities of the Scheme are outlined on page 4 of this report.

Performance

The performance of the Scheme for the year ended June 30, 2022 and accompanying notes are set out on pages 22 to 39.

Directors

The members of the Public Procurement Regulatory Board who served during the year are shown on pages 7 to 11

Auditors

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

By Order of the Board

Corporation Secretary
Nairobi

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITY

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

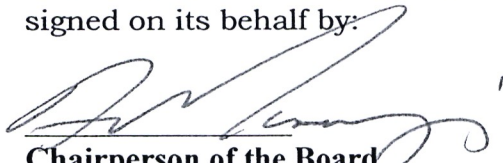
The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

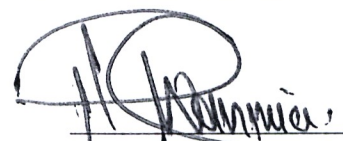
The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

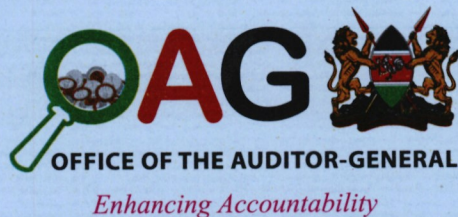
The Scheme's financial statements were approved by the Board on _____ 2022 and signed on its behalf by:


Chairperson of the Board


Director General/Administrator

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON PUBLIC PROCUREMENT REGULATORY AUTHORITY STAFF LOANS SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Public Procurement Regulatory Authority Staff Loans Scheme Fund set out on pages 22 to 40, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows, the statement of comparison of budget and actual amounts for the year then ended, and a summary of

Report of the Auditor-General on Public Procurement Regulatory Authority Staff Loans Scheme Fund for the year ended 30 June, 2022

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, the financial statements present fairly, in all material respects, the financial position of the Public Procurement Regulatory Authority Staff Loans Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Approval for the Scheme Budget

The statement of comparison of budget and actual amounts reflects budgeted income and expenditure of Kshs.600,000 and Kshs.12,000 respectively. However, the budget was not approved by the Regulatory Board at the beginning of the financial year as required under Section 4.2 of the Policy Guidelines for PPRA Staff Loans Scheme Fund which states that the expenditure incurred by the Fund shall be on the basis of and limited to annual budget estimates prepared by the Committee and shall be approved by the Regulatory Board at the beginning of the financial year to which they relate. Although Management has explained that the budget was ratified in September, 2022, three months after the closure of the financial year.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Scheme'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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

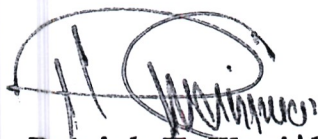
30 March, 2023

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2022**

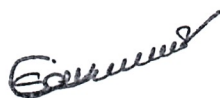
Description	Note	2021/2022	2020/2021
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from other Parent Ministry/ SC/SAGA	6	0	0
Revenue from exchange transactions			
Interest income	7	516,937	19,175
Other income	8	0	0
Total revenue		516,937	19,175
Expenses			
Employee Costs	9	0	0
Use of Goods & Services	10	57,639	49,905
Depreciation and Amortization	11	0	0
Finance Costs	12	0	0
Total expenses		57,639	49,905
Surplus/Deficit for the period		459,298	(30,730)

The notes set out on pages 27 to 39 form an integral part of the financial statements.

The financial statements were approved on and signed by:



Patrick K. Wanjuki
Director General



Chris Sakwa
Head of Finance
ICPAK M/No: 9008

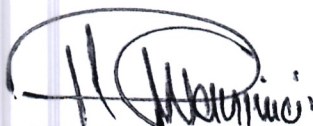



Mr Andrew M. Musangi
Chairman, PPRB

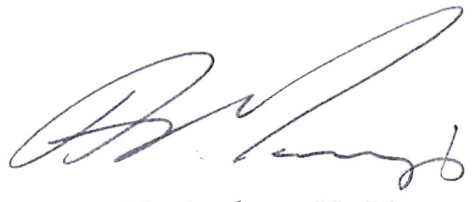
**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2022**

Description	Note	2021/22	2020/21
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	13	76,849,790	98,400,636
Receivables from exchange transactions	14	3,080,967	390,000
Receivables from non-exchange transactions	15	0	0
Total Current Assets		79,930,757	98,790,636
Non-current assets			
Receivables from exchange transactions	14	20,629,193	1,501,175
Total non-current assets		20,629,193	1,501,175
Total assets		100,559,950	100,291,811
Liabilities			
Trade and other payables	16	130,382	321,541
Total liabilities		130,382	321,541
Net assets			
Accumulated Fund	17	100,429,568	99,970,270
Total net assets and liabilities		100,559,950	100,291,811

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Scheme financial statements were approved by the Board and signed by:

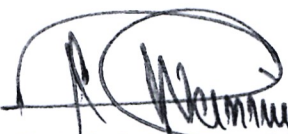

Patrick K. Wanjuki
Director General



Chris Sakwa
Head of Finance
ICPAK M/No: 9008



Mr Andrew M. Musangi
Chairman, PPRB

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2022**

Description	Staff Loans Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2020			
Surplus/(deficit) for the period	0	(30,730)	(30,730)
Funds received during the year	100,001,000	0	100,001,000
Transfers	0	0	0
As at 30 June 2021	100,001,000	(30,730)	99,970,270
			-
Balance as at 1 July 2021	99,970,270	0	99,970,270
Surplus/(deficit) for the period	0	459,298	459,298
Prior year adjustment	0	0	0
As at 30 June 2022	99,970,270	459,298	100,429,568

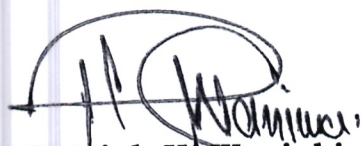

Patrick K. Wanjuki
Director General



Chris Sakwa
Head of Finance
ICPAK M/No: 9008



Mr Andrew M. Musangi
Chairman, PPRB

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2022**

Description	Note	2021/22 Kshs.	2020/21 Kshs.
Cash flows from operating activities			
Receipts			
Transfers from other Parent Ministry/ SC/SAGA		0	0
Interest received		516,937	19,175
Other income		0	0
Total receipts		516,937	19,175
Payments			
Employee costs		0	0
Use of goods and services		57,639	49,905
Finance cost		0	0
Total payments		57,639	49,905
Operating surplus	23	459,298	(30,730)
Changes in working capital			
Increase/(Decrease) in trade & other payables		(191,159)	321,541
Decrease/(increase) in receivables		(21,818,985)	(1,891,175)
Loan insurance premiums		0	0
Receipts into the mortgage revolving fund		0	0
Receipts into the car loan revolving fund		0	0
Net cash flows from operating activities		(22,010,144)	(1,569,634)
Net increase/(decrease) in cash and cash equivalents		(21,550,846)	(1,600,364)
Cash and cash equivalents at 1 July	15	98,400,636	100,001,000
Cash and cash equivalents at 30 June	15	76,849,790	98,400,636

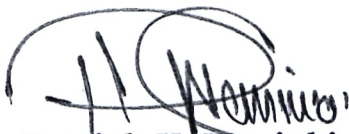

Patrick K. Wanjuki
Director General



Chris Sakwa
Head of Finance
ICPAK M/No: 9008



Mr Andrew M. Musangi
Chairman, PPRB

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c ^a 00
Revenue from non-exchange transactions						
Transfers from other Parent Ministry/ SC/SAGA	0	0	0	0	0	
Revenue from exchange transactions						
Interest income	600,000	0	600,000	516,937	(83,063)	86.2%
Other income	0	0	0	0	0	
Total revenue	600,000	0	600,000	516,937	(83,063)	86.2%
Expenses						
Employee Costs	0	0	0	0	0	
Use of Goods & Services	12,000	0	12,000	57,639	(45,639)	480.3%
Depreciation and Amortization	0	0	0	0	0	
Finance Costs	0	0	0	0	0	
Total expenses	12,000	0	12,000	57,639	(45,639)	480.3%
Surplus/Deficit for the period	588,000	0	588,000	459,298		


Patrick K. Wanjuki
Director General


Chris Sakwa
Head of Finance
ICPAK M/No: 9008


Mr Andrew M. Musangi
Chairman, PPRB

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The PPRA staff loans scheme fund is wholly owned by Public Procurement Regulatory Scheme (the Scheme) which is established under Section 8 (1) of the Public Procurement and Disposal Act, 2015. The fund's principal activity is to enable PPRA staff members own homes and vehicles by providing affordable credit facilities.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Scheme's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, the PPADA 2015 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts , timing and

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

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The Scheme did not early – adopt any new or amended standards in year 2021/2022.

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.

b) Budget information

The original budget for FY 2021/2022 was approved by the loans committee of the loans scheme. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Scheme'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.

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.

c) Property, plant and equipment (PPE)

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

d) Intangible assets

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

e) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

f) 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.

g) 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.

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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j) 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.

k) Related parties

The Scheme 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 Scheme, or vice versa. Members of key management are regarded as related parties and comprise loans committee, Directors and the Director General.

l) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Events after the reporting period

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

l) Currency

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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

In FY 2020/2021 the Public Procurement Regulatory Authority (PPRA) presented one set of financial statements that comprised of figures for both the Authority and the Loans Scheme. In the current financial year separate financial statements have been prepared for the Authority and the Loans Scheme. The comparative figures for FY 2020/2021 presented in this financial statements, are based on the audited financial statements after disaggregating information relating to the Authority and the Loans Scheme.

6. Transfers from Parent Ministry

Transfers from other parent ministry/state corporation includes funds received from these institutions to fund the loans scheme.

	2022	2021
	Ksh	Ksh
Operational Grant	0	0

7. Interest Income

This is interest earned from loans issued to staff/borrowers who have accessed funds from the Loans Scheme.

	2022	2021
	Ksh	Ksh
Income from appeals	<u>516,937</u>	<u>19,175</u>

8. Other Income

This includes income from the sources listed below:

	2022	2021
	Ksh	Ksh
Other income	<u>0</u>	<u>0</u>

9. Employee Costs

	2022	2021
	Ksh	Ksh
Employee Costs	0	0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Use of Goods and Services

The expenses related to use of goods and services during the period under review are as presented in the table below.

	2022	2021
	Ksh	Ksh
Bank charges	9,639	1,905
Administrative costs	48,000	48,000
Total	57,639	49,905

11. Depreciation and amortization

The Loans Scheme does not have assets and so there was no depreciation expense during the period under review.

	2022	2021
	Ksh	Ksh
Depreciation and amortization	0	0

12. Finance Costs

The Loans Scheme did not borrow any funds for purpose for which the Scheme was set-up and therefore did incur any finance costs.

	2022	2021
	Ksh	Ksh
Depreciation and amortization	0	0

13. Cash and cash equivalents

Cash and cash equivalents comprises of cash and bank balances as shown below:

	2022	2021
	Ksh	Ksh
KCB Account	76,849,790	98,400,636
Cash on hand and in transit	0	0
Total	<u>76,849,790</u>	<u>98,400,636</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Receivables from exchange transactions

The receivables from exchange transactions relate to transactions between the borrowers and the Loans Scheme.

	2022	2021
	Ksh	Ksh
Receivables due in next 12 months	3,080,967	390,000
Receivables due in more than 12 months	20,629,193	1,501,175
Total	23,710,160	1,891,175

15. Receivables from non-exchange transactions

There were no prepayments during the period under review.

	2022	2021
	Ksh	Ksh
Prepayments	0	0

16. Trade & Other Payables

The payables for the Loans Scheme during the period under review are as presented in the table below.

	2022	2021
	Ksh	Ksh
Trade Payables	96,000	48,000
Staff deposits	34,382	273,541
Total	130,382	321,541

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. Accumulated Fund

The position of accumulated fund for the year ended 30th June 2022 is shown below. The prior year adjustment relates to stipend for the secretariat paid by PPRA in FY 2020/2021 and which had not been charged as an expense of the Scheme during that year. A correction of the anomaly has been effected through the prior year adjustment.

	2022	2021
	Ksh	Ksh
Balance as at 1 st July	99,970,270	100,001,000
Surplus / Deficit for the year	459,298	(30,730)
Balance as at 30th June	100,429,568	99,970,270

18. Subsequent Events

There were no subsequent events after year end that affect the Scheme and that would affect the decisions made by a third party.

19. Currency

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