

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



PAPERS LAID	
DATE	27/6/2023
TABLED BY	Majority Whip
COMMITTEE	—
CLERK AT THE TABLE	Angela.

PARLIAMENT
OF KENYA
LIBRARY

REPORT

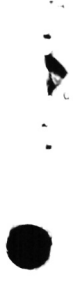
OF

THE AUDITOR-GENERAL

ON

**KERICHO COUNTY ASSEMBLY STAFF CAR
AND MORTGAGE SCHEME FUND**

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





**KERICHO COUNTY ASSEMBLY STAFF CAR LOAN AND MORTGAGE
SCHEME FUND**

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

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

Table of Content

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	vi
3. Management Team	viii
4. Board/Fund Chairperson's Report	ix
5. Report of The Fund Administrator	x
6. Statement of Performance Against the CountyFund's Predetermined Objectives	xii
7. Corporate Governance Statement	xiv
8. Management Discussion and Analysis	xv
9. Report of The Trustees	xvi
10. Statement of Management's Responsibilities	xvii
11. Report of The Independent Auditor	xix
12. Statement of Financial PerformanceFor The Year Ended 30thJune 2022	1
13. Statement of Financial PositionAs At 30 June 2022	2
14. Statement Of Changes in Net Assetsfor the year ended 30 th June 2022	3
15. Statement Of Cash FlowsFor The Year Ended 30 June 2022	4
16. Statement Of Comparison Of Budget And Actual Amounts For The Period	5
17. Notes to the Financial Statements	6
18. Progress On Follow Up Of Prior Year Auditor's Recommendations	32

1. Key Entity Information and Management

a) Background information

Kericho County Assembly Car & Mortgage Fund is established by and derives its authority and accountability from Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. County Assembly of Kericho has established appropriate regulations to guide the implementation for the benefits of its employees. The Public Finance Management (Kericho County Assembly Staff Mortgage Scheme Fund) Regulations, 2016. The Fund is wholly owned by the County Assembly of Kericho and is domiciled in Kenya.

The fund's objective is to provide a car loan scheme for the purchase of vehicles as well as purchase, development, renovations or repair of residential property by the members of staff.

The Fund's principal activity is to facilitate members of staff to purchase residential houses and to have cars

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to motivate public officers and immensely contribute towards attraction and retention of requisite skills in the public service in line with the constitutional principles under Article 230(5) of the constitution.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. Hezron Ng'etich	Chairperson
2	Hon.Nancy Kimeto	Vice Chair
3	Hon.Benard Mutai	Member
4	Hon.Gilber tNg'etich	Member
5	Hon.Humphrey Kirui	Member
6	Mr.Martin Epus	Secretary
7	Mrs.Sharon Mibey	Member
8	Mr.Aggrey Kirui	Member
9	Mr.Josphat Mibei	Secretariat

d) Key Management

Ref	Name	Position
1	Mr.Martin Epus	Clerk to the County Assembly of Kericho
2	Mrs.Sharon Mibey	Deputy Clerk
3	Mr.Aggrey Kirui	Principal Finance Officer
4	Mr.Josphat Mibei	Accountant
5	Mrs.Rose Chelangat	Senior Accountant

e) Registered Offices

Kericho County Assembly Headquarters

P.O.BOX 1526-20180

Kericho,

KENYA.

f) Fund Contacts

Telephone:(254) 745169000

www.assembly.kericho.go.ke

g) FundBankers

Kenya Commercial Bank,

P.O. Box

Nairobi, Kenya

h) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O.Box 30084

GOP 00100

Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General

State Law Office






Harambee Avenue






P.O. Box 40112

City Square 00200






Nairobi, Kenya

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

Name	Details of qualifications and experience
	<p>Hon. Hezron Ng'etich is the Chairperson of the Board. He is the elected Member of County Assembly representing Chilchila Ward and the Majority Leader of the County Assembly. Hon. Hezron holds a Bachelors Degree in Project Management and a Diploma in Civil engineering.</p>
	<p>Hon. Nancy Langat is the Vice Chairperson of the Board. She is the elected Member of County Assembly representing Tebesonik Ward and the Vice Chairperson of Public Accounts and Investment Committee. She holds a Masters and Bachelors Degree in Finance and Accounting. She was the internal Auditor for KEWASCO before being elected.</p>
	<p>Hon. Benard Mutai is a Member of the Board and the elected Member of County Assembly representing Kipchimchim Ward and a member of the County Assembly Service Board. Hon. Mutai has a Diploma in Land Survey. He is an approved land surveyor.</p>
	<p>Hon. Gilbert Ng'etich is a Member of the Board and the elected Member of County Assembly representing Kisiara Ward. He is also the Chief Whip of the County Assembly. Hon. Gilbert holds a Diploma in Human resource and a CPA part I. He was the Chief Clerk for KTDA before being elected.</p>
	<p>Hon. Humphrey Kirui is a Member of the Board. He is the elected Member of County Assembly representing Kapsuser Ward and the Vice Chairperson of Youth, Culture and Social Services. Hon. Humphrey has Diploma in Accounting and CPA Part I. He was a Lab Technician at Abchy Malik (SBI) Company before he was elected.</p>

	<p>Mr. Martin Epus is the Secretary of the Board and also the Clerk to the County Assembly. He was born in 1971. Mr. Epus holds a Master of Business Administration, Bachelors degree in Arts, Post Graduate Diploma in HRM, CPS final and a member of institute of Certified Public Secretaries of Kenya (ICPSK).</p>
	<p>Ms. Sharon Mibey is a Member of the Board and also the Deputy Clerk to the County Assembly. She was born on 23/05/1987. Sharon holds LLB (Bachelors Degree in Law) as wells as post graduate Diploma from the Kenya School of Law.</p>
	<p>Mr. Aggrey Kirui is a Member of the Board and also the Principal Finance Officer of the County Assembly. He was born on 10/04/1972. Aggrey holds a Master Degree of Commerce, Bachelors Degree in Commerce (Accounts and Auditing) and a Diploma in computer Applications.</p>
	<p>Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. He was born on 01/10/1987. He is a holder of Bachelors degree in business administration, CPA Final and a member of institute of Certified Public Accountant of Kenya (ICPAK).</p>
	<p>Ms. Rose Chelangat is the Fund Accountant and also head of Accounts in the Assembly. She was born on 21/04/1980. She holds Bachelors degree of commerce (Accounting option), CPA Final and a member of Institute of Certified Public Accountant of Kenya (ICPAK).</p>

3. Management Team

	Details of qualifications and experience
	<p>Mr. Martin Epus is the Secretary of the Board and also the Clerk to the County Assembly. He was born in 1971. Mr. Epus holds a Master of Business Administration, Bachelors degree in Arts, Post Graduate Diploma in HRM, CPS final and a member of institute of Certified Public Secretaries of Kenya (ICPSK).</p>
	<p>Ms. Sharon Mibey is a Member of the Board and also the Deputy Clerk to the County Assembly. She was born on 23/05/1987. Sharon holds LLB (Bachelors Degree in Law) as well as post graduate Diploma from the Kenya School of Law.</p>
	<p>Mr. Aggrey Kirui is a Member of the Board and also the Principal Finance Officer of the County Assembly. He was born on 10/04/1972. Aggrey holds a Master Degree of Commerce, Bachelors Degree in Commerce (Accounts and Auditing) and a Diploma in computer Applications.</p>
	<p>Mr. Josphat Mibei is a Member of the Board and an Accountant of the County Assembly. He was born on 01/10/1987. He is a holder of Bachelors degree in business administration, CPA Final and a member of institute of Certified Public Accountant of Kenya (ICPAK).</p>
	<p>Ms. Rose Chelangat is the Fund Accountant and also head of Accounts in the Assembly. She was born on 21/04/1980. She holds Bachelors degree of commerce (Accounting option), CPA Final and a member of Institute of Certified Public Accountant of Kenya (ICPAK).</p>

4. Board/Fund Chairperson's Report

The Kericho County Assembly Car Loan and Mortgage scheme is established under the Kericho County Car loan and Mortgage Fund Scheme Regulations, 2016. The administration of it is done by a Board known as the Kericho County Assembly Car Loan and Mortgages Fund Board.

The Fund Board comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board to administer the fund. The chairperson of the board is the Leader of Majority of the County Assembly and the administrator of the Fund is the Clerk of the County Assembly.

The Kericho County Assembly Car loan and mortgage scheme has over the years benefitted staffs in the acquisition of cars to improve mobility and in the housing for decent living. In turn this has translated to better performance in their core mandates. The total beneficiaries of the car loan and mortgage are 69 members of staff.

The fund is expected to grow significantly and benefit both members and staff immeasurably. Younger workforce will benefit greatly on the car loans and mortgages schemes since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions whose interest rates are exorbitant.

The staff car and mortgage fund is managed internally by the management team whom I chair.

The fund's performance is generally good as most employees have benefited from the fund except a few who will benefit from it the following financial year. Most employees who got the loans did not get maximum limit as given by the SRC. However top ups are allowed from the remittance for them to complete their projects for the fund to have a meaningful benefit to them.

AK.

.....
Name: Hon. Hezron Kipngeno Ngetich

Chairperson

5. Report of The Fund Administrator

The Kericho County Assembly Car Loan and Mortgage scheme is established under the department of Finance and Economic Planning. The administration of it is done by a Board known as the Kericho County Assembly Car Loan and Mortgages Fund Board.

The Fund Board comprises of a team of Members of the County Assembly and the Secretariat as board members playing different roles and in the sub committees of the board to administer the fund. The chairperson of the board remains the Leader of Majority part of the County Assembly and the administrator of the Fund is the clerk of the County Assembly.

The Kericho County Assembly Car loan and mortgage scheme has over the years benefitted both members and staffs in the acquisition of cars to improve mobility and in the housing for decent living. In turn this is expected to translate to performance in their core mandates. The total beneficiaries of the car loan and mortgage 69 members of staff.

The fund is expected to grow significantly and benefit both members and staff immeasurably. Younger workforce will benefit greatly on the car loans and mortgages schemes since the interest is low and can discourage members of the scheme from borrowing loans from other financial institutions.

The County assembly Car loans and Mortgage Fund Board commits to administering the fund for the benefit of its members and for overall achievement and realization of the objectives of the County Assembly.

The fund is generally managed well and it has grown from Ksh.103,561,736 from the previous year to Ksh.106,350,101 at the close of 2021/2022 financial year.

Total administrative expenses paid for the year were Ksh192,990 compared to previous year of ksh.212,520.

During the financial year 2021/2022 the management team had a total of 7 meetings. The meetings were basically to analyze the applicants' loan forms and to approve the loan applied.

There has been no reported case of corruption or conflict of interest as the fund is managed in the most transparent manner.



.....
for: **Name:** Martin Epus Patrick

Fund Administrator



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

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 strategic objectives of the County Assembly as borrowed from 2013-2022 plan are as follows:

- a). To enhance Knowledge and Expertise of Members and Staff for effective representation, legislation, oversight, openness, and accountability;
- b). To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better utilization of public sector resources;
- c). To build adequate Institutional capacity to provide quality, efficient and effective services to the stakeholders and respond adequately to emerging issues;
- d). To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;
- e). To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program 1	Objective	Outcome	Indicator	Performance
Formation of the Car loan and mortgage board	To Improve County Assembly Legislative, Administrative and Infrastructural Support Services to enable Members to legislate and perform oversight function more effectively resulting in better utilization of public sector resources;	Improved oversight and administration of the Car loan and mortgage	Members appointed	Functional Car Loan and Mortgage Fund Board
Capacity Building for Car Loans and mortgage fund	To build adequate Institutional capacity to provide quality, efficient and effective	Increased efficiency in administration of car loan and	Number of trainings	Car loan and mortgage fund board members capacity

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

Board	services to the stakeholders and respond adequately to emerging issues;	mortgage scheme		enhanced
Consultative forums with like-minded industry players	To strengthen County Assembly's Representative Capacity through External Linkages and Partnership with Various Stakeholders to Foster Sustainable Development;	Increased awareness on fund administration challenges	Number of engagements with fund managers	Best practices from similar schemes/ industry replicated
Adherence to Controller of budget and national treasury requirements on requisitions	To ensure adequate financial resources are available to meet the capital and operational expenditures of the Assembly.	Continuous cash flows of the county assembly	Number of requisitions made	Funds availed to County Assembly Members and staff

7. Corporate Governance Statement

Kericho County Assembly Mortgage Board held meetings to deliberate on issues concerning the fund. The number of meetings should not exceed twelve in a year. The required quorum must be at least two-third at the beginning of each meeting.

Members of the board should be trained on Public Finance Management Act and also regulations that guide issuance of the fund to potential beneficiaries.

In case there is conflict of interest on a member of the board, such a member should declare his interest and will be exempted to attend that meeting where his contribution will create conflict of interest. Failure to declare such interest amounts to a criminal offence.

8. Management Discussion and Analysis

This is the Financial Statement for Kericho County Assembly Car Loan and Mortgage Fund for the financial period ended 30th June, 2022. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on the expenditure incurred by the Kericho County Assembly in Staff car loan and Mortgage provision.

The guiding regulations are the Kericho County Assembly Staff Mortgage Scheme Fund regulations of 2016 in line with the Salary and Remunerations Commission. The Fund Administrator is the Clerk to the County Assembly of Kericho and its primary purpose is to advance loans to members of staff for purchase of motor vehicles and mortgage.

The key challenges noted during the period included delay in release of funds by the National Treasury.

9. Report of The Trustees

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

Principal activities

The principal activities of the Fund is to provide a car loan scheme for the purchase of vehicles as well as purchase, development, renovations or repair of residential property by the members of staff.

Results

The results of the Fund for the year ended June 30, 2022 are set out on pages 1-5.

Trustees

The members of the Board of Trustees who served during the year are shown on page vi-vii. There were no changes of the board members during the period.

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

HK.

.....
Chair of the Board/Fund Administration Committee

Date: 04/04/2023

10. 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 Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund regulations of 2014 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 and Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund regulations of 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June, 30, 2022 and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

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



.....
Administrator of the County Public Fund



REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ASSEMBLY STAFF CAR AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho County Assembly Staff Car and Mortgage Scheme Fund set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the

Report of the Auditor-General on the Financial Statements of Kericho County Assembly Staff Car & Mortgage Fund for the year ended 30 June, 2022

provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kericho County Assembly Staff Car and Mortgage 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 (Kericho County Assembly Staff Mortgage Fund Act) 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects amounts of Kshs.130,947 and Kshs.617,525 under insurance recovered and insurance premium paid respectively, resulting to a net insurance balance of Kshs.486,578. However, the statement of financial performance reflects an amount of Kshs.461,618 for the same item. Further, an amount of Kshs.233,100 is indicated as relating to refund to operations. However, the refund has not been captured in either the statement of financial performance or the statement of financial position.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

2. Lack of an Approved Budget

The statement of budget and actual amounts reflects an amount that are equal for both budget and actual amount implying that all budgeted activities were achieved 100%. However, there is no evidence that there was an approved budget for the Fund during the year under review.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There 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 Resource 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

Unsecured Loans

The statement of financial position reflects balances of Kshs.9,316,954 and Kshs.94,248,933 in respect of current portion of long-term receivables of and long-term receivables respectively. The Fund records indicated that sixty-nine (69) staff members of the County Assembly were advanced mortgage loans amounting to Kshs.103,565,887. However, review of the securities provided for the loans revealed that only five (5) staff members with a loan balance of Kshs.12,364,763 submitted title deeds to the County Assembly Staff Car and Mortgage Scheme Fund as required. The remaining balance of Kshs.91,201,124 held by 65 staff members was not secured. This was contrary to regulation 16(2) of the County Assembly Staff Car and Mortgage Scheme Fund which requires that the originals of all documents relating to property financed by a loan from the Fund shall be kept in safe custody by the officer administering the Fund.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Internal Audit Review

There is no evidence that the Fund was subjected to internal audit during the year. Failure to have an internal audit review implies that errors of omission or commission will occur without corrective measures being instituted as fast as possible. Further, this was contrary to Section 155(1) a of the Public Finance Management Act, 2012, which requires that a County Government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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 Trustees

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 control.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

31 May, 2023

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

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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest income from loans	4	3,063,646	3,020,371
Other income: insurance (contra)	5	461,618	1,587,552
Total Revenue		3,525,264	4,607,923
Expenses			
Fund administration expenses-sitting allowances	6	192,990	212,520
Loan Insurance(contra)	6	461,618	1,587,552
Bank Charges	6	8,581	13,095
Tax on committee allowances	6	73,710	63,180
Total Expenses		736,899	1,876,347
Other Gains/Losses			
Gain/Loss on Disposal of Assets	7	-	-
Surplus/(Deficit) For The Period		2,788,365	2,731,576

.....
Name: Martin Epus
Administrator of the Fund



.....
Name: Rose Chelangat
Fund Accountant
ICPAK Member Number:21194



13. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	8	2,814,277	1,291,197
Current Portion of Long- Term Receivables From Exchange Transactions	9	9,316,954	8,788,362
Prepaid insurance	10	4,527	-
Inventories	11	-	-
		12,135,758	10,079,559
Non-Current Assets			
Property ,Plant and Equipment	12	-	-
Long Term Receivables from Exchange Transactions	9	94,248,933	93,877,221
		94,248,933	93,877,221
Total Assets		106,384,691	103,956,780
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	13	34,590	395,044
Employee Benefit Obligations	14	-	-
		34,590	395,044
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	14		
Total Liabilities		(34,590)	(395,044)
Net Assets		106,350,101	103,561,736
Revolving Fund		103,561,736	103,561,736
Accumulated Surplus		2,788,365	-
Total Net Assets and Liabilities		106,350,101	103,561,736

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 _____ 2022 and signed by:





Name: Martin Epus
 Administrator of the Fund

Name: Rose Chelangat
 Fund Accountant
 ICPAK Member Number:21194




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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	100,830,160			100,830,160
Surplus/(Deficit) For the Period	-	-	2,731,576	2,731,576
Funds Received During the Year	-	-		-
Transfers	-		-	
Revaluation Gain	-	-	-	-
BalanceAsAt30 June 2021	100,830,160	-	2,731,576	103,561,736
Balance As At 1 July 2021	103,561,736			103,561,736
Surplus/(Deficit)For the Period		-	2,788,365	2,788,365
Funds Received During the Year		-	-	
Transfers				
Revaluation Gain	-		-	
BalanceAsAt30 June 2022	103,561,736	-	2,788,365	106,350,101


Name: Martin Epus
Administrator of the Fund




Name: Rose Chelangat
Fund Accountant
ICPAK Member Number:21194



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

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		3,063,646	3,020,371
Receipts from other operating activities		-	-
Total receipts		3,063,646	3,020,371
Payments			
Bank charges		8,581	13,095
Committee sitting allowances		192,990	212,520
Tax on committee sitting allowances		42,120	73,320
Total payments		(243,691)	(298,935)
Net cash flows from operating activities		2,819,955	2,721,436
Cash flows from investing activities			
Loan disbursements paid out		-	-
Net cash flows used in investing activities			
Cash flows from financing activities			
Principal loan repayments		8,946,658	8,037,118
Total insurance recovered		130,947	1,491,512
Mortgage loan cash paid			54,000
Mortgage and Car loan advanced to staff		(9,523,856)	(10,172,820)
Insurance premium paid		(617,525)	(1,673,411)
Refund to operations(Over paid instalments)		(233,100)	(20,000)
Net cash flows used in financing activities		(1,296,876)	(2,283,601)
Net increase/(decrease) in cash & cash Equivalents		1,523,079	437,835
Cash and cash equivalents at 1 July	8	1,291,197	853,362.5
Cash and cash equivalents at 30 June	8	2,814,276	1,291,197.5

.....
 Name: Martin Epus
 Administrator of the Fund

.....
 Name: Rose Chelangat
 Fund Accountant
 ICPAK Member Number: 21194



Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

16. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.						
Interest income-Interest on loans	3,063,646	-	3,060,646	3,060,646	-	100%
Other income-Loan insurance	461,618	-	461,618	461,618	-	100%
Total Income	3,525,264	-	3,525,264	3,525,264	-	100%
Expenses						
Fund administration expenses-Sitting allowances	192,990	-	192,990	192,990	-	100%
Bank Charges	8,581	-	8,581	8,581	-	100%
Tax on committee allowances	73,710	-	73,710	73,710	-	100%
Loan insurance	461,618		461,618	461,618	-	100%
Total Expenditure	(736,899)	-	(736,899)	(736,899)	-	100%
Surplus For The Period	2,788,365	-	2,788,365	2,788,365	-	100%

17. Notes to the Financial Statements

1. General Information

Kericho County Assembly Car & Mortgage Fund is established by and derives its authority and accountability from Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. County Assembly of Kericho has established appropriate regulations to guide the implementation for the benefits of its employees. The Public Finance Management (Kericho County Assembly Staff Mortgage Scheme Fund) Regulations, 2016. The Fund is wholly owned by the County Assembly of Kericho and is domiciled in Kenya.

The fund's objective is to provide a car loan scheme for the purchase of vehicles as well as purchase, development, renovations or repair of residential property by the members of staff.

The Fund's principal activity is to facilitate members of staff to purchase residential houses and to have cars

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

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

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

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

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

(iii) Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 26th June, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance.

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

b) Inventories

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

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

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

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

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

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

c) Provisions

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

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

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

Contingent liabilities

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

Summary Of Significant Accounting Policies (Continued)

Contingent assets

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

d) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. 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.

e) 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 today 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.

f) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

g) 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.

h) 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.

i) 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.

j) Comparative figures

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

k) Events after the reporting period

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

l) Ultimate and Holding Entity

The entity is a County Public Fund established by Article 230 of the constitution and section 13 of the Salaries and Remuneration Commission Act, 2011. Its ultimate parent is the County Government of Kericho .

m) Currency

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

Summary Of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

6. Notes To The Financial Statements

1. Public contributions and donations

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

2. Transfers from County Government

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

3. Fines, penalties and other levies

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

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	3,063,646	3,020,371
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	3,063,646	3,020,371

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance recoveries(contra)	461,618	1,587,552
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	461,618	1,587,552

6. Fund administration expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Fund administration expenses-sitting allowances	192,990	212,520
Loan Insurance(contra)	461,618	1,587,552
Bank Charges	8,581	13,095
Tax on committee allowances	73,710	63,180
Others	-	-
Total	736,899	1,876,347

7. Gain/(loss) on disposal of assets

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

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

Notes to the Financial Statements Continued

8. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Car loan and mortgage account- KCB		
Cash in hand-Adjusted Cash book	2,814,277	1,291,197
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	2,814,277	1,291,197

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank			
Equity Bank, Etc.			
Sub- Total			
b) On - Call Deposits			
Kenya Commercial Bank			
Equity Bank - Etc.			
Sub- Total			
c) Current Account			
Kenya Commercial Bank	1204187967	2,814,277	1,291,197
Bank B			
Sub- Total		2,814,277	1,291,197
d) Others(Specify)			
Cash In Transit			
Cash In Hand			
Sub- Total			
Grand Total		2,814,277	1,291,197

9. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable		
Current Loan Repayments Due	9,316,954	8,788,362
Other Exchange Debtors		
Less: Impairment Allowance		
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	94,248,933	93,877,221
Total Non- Current Receivables		
Total Receivables From Exchange Transactions	103,565,887	102,665,583

Additional disclosure on interest receivable

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

10. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	4,527	-
Other Prepayments	-	-
Total	4,527	-

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

11. Inventories

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

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

12. Property, plant and equipment

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

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

Notes To The Financial Statements (Continued)

13. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Kenya Orient Life Assurance	3,000	158,907
Paymaster General	31,590	-
KCA operations A/C	-	233,100
Prepaid Insurance	-	3,037
Total Trade And Other Payables	34,590	395,044

14. Employee benefit obligations

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

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

Other Disclosures

15. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

e) Due to related parties

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

16. Contingent assets and contingent liabilities

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

Other Disclosures Continued

17. Financial risk management

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

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

a) Credit risk

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

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

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

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

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

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

b) Liquidity risk management

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

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

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

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.

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

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:

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

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

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rates	Effect on equity	Effect on equity
	KShs	KShs	KShs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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:

	2022	2021
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-

Kericho County Assembly Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe:
			All issues resolved	