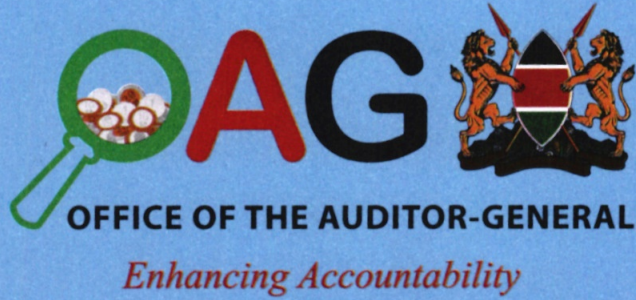


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY EXECUTIVE STAFF
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

| PAPERS LAID | |
|--------------------|------------------|
| DATE | 27-02-2024 |
| TABLED BY | MAJORITY LEADER |
| COMMITTEE | FINANCE & BUDGET |
| CLERK AT THE TABLE | C. CERDP |



**KIRINYAGA COUNTY EXECUTIVE STAFF MORTGAGE SCHEME
FUND**

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

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



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Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility
*Provide a list of Acronyms and Key terms used in the financial report as per above example.
The list to be exhaustive)*

2. Key Entity Information and Management

a) Background information

Executive Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012. The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The Fund's principal activity is to provide a loan scheme for the purpose of personal use by a member to purchase, development, renovation or repair of property by a member of the Scheme as prescribed by the salaries and remuneration commission.

b) Principal Objectives

The principal purpose of the Fund is to provide;

- I. Provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme;
- II. Provide a loan scheme for the refinancing of an existing mortgage facility
- III. Provide a loan scheme for the purchase of a parcel of land for residential development
A loan scheme for members of the scheme

c) Board of Trustees/Fund Administration Committee

| Ref | Name | Position |
|-----|----------------------|-----------------------------|
| 1 | Jacqueline W. Njogu | Chairperson |
| 2 | Edward Nyaga | Committee Member |
| 3 | Samuel Peter Kanjobe | Committee Member |
| 4 | George Karoki | Committee Member |
| 5 | James M. Kimaru | Fund Manager/ Administrator |

d) Key Management team

| Ref | Name | Position |
|-----|-----------------------------|-----------------|
| 1 | Fund Manager/ Administrator | James M. Kimaru |
| 2 | Fund Accountant | Benson Gachiri |
| 3 | | |
| 4 | | |
| 5 | | |

(Include all positions regarded as top management for the Fund).

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

| SN | Position | Name |
|-----------|--|-------------------|
| 1 | Directorate Internal Audit | Philomena Nyokabi |
| 2 | Staff car Mortgage and car Loan Advisory Committee | James Kimaru |
| 3 | | |

f) Registered Offices

P.O. Box 260
County Headquarters
Kutus, KENYA

g) Fund Contacts

Telephone: +254 - 202-8010181
E-mail: kirinyaga.go.ke
Website: www.kirinyaga.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Fortune Sacco
P.O Box 559-10300
Kerugoya

Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser





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

k) County Attorney




Caroline N. Kinyua
County Attorney
County Headquarters
P.O. Box 260-10304
Kutus, KENYA

**Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

3. Board of Trustees/ Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)

| Name | Details of qualifications and experience |
|---|---|
| <p>1. HON. JACQUELINE NJOGU</p>  | <p>Chair /CEC Member Finance and Economic Planning</p> <p>Academic Qualifications Master of Philosophy- Environmental Planning & Management B.Sc. Environmental Science & Landscaping Experience: Over 15 years</p> |
| <p>2. Edward Nyaga Njagi</p>  | <p>Chief Officer Accounts, Revenue and Audit</p> <p>Academic Qualifications CPAK Bachelor of Co-operatives Business Masters MBA Experience: Over 20 years in Finance and Accounting Sector</p> |
| <p>3. Rev.Samuel Kanjombe</p>  | <p>Member/C.E.C.M- Lands & Physical Planning</p> <p>Academic Qualifications Master Degree of Arts in Leadership Bachelor Degree in Divinity Experience: Over 15 years</p> |
| <p>4. JAMES MUGUKU KIMARU</p>  | <p>Fund Administrator- Mortgage & Car Loan Scheme Fund</p> <p>Academic Qualifications Bachelor of Science- Economics & Mathematics Experience: Over 10 years</p> |

4. Management Team

| Name | Details of qualifications and experience |
|---|---|
| <p>1. HON. JACQUELINE NJOGU</p>  | <p>Chair /CEC Member Finance and Economic Planning</p> <p>Academic Qualifications Master of Philosophy- Environmental Planning & Management B.Sc. Environmental Science & Landscaping Experience: Over 15 years</p> |
| <p>2. JAMES MUGUKU KIMARU</p>  | <p>Fund Administrator- Mortgage & Car Loan Scheme Fund</p> <p>Academic Qualifications Bachelor of Science- Economics & Mathematics Experience: Over 10 years</p> |
| <p>3. BENSON GACHIRI MWANGI</p>  | <p>Accountant</p> <p>Academic Qualifications CPA K Bachelor in Business Administration in Accounts Experience: 10Years</p> |
| <p>4. Manager 4</p> | |
| <p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p> | |

Kirinyaga County Executive Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023


4. Board/Fund Chairperson's Report

I have the pleasure of presenting the Annual Report and Financial Statements for Kirinyaga County Executive Mortgage Scheme Fund for the period ending 30th June, 2022. These annual financial reports have been prepared in accordance with the Generally Accepted Accounting Principles (GAAPs), the International Accounting Standards (IAS), the International Public Sector Accounting Standards (IPSAS) accrual basis, and Section 116 of the Public Finance Management Act, 2012.

Kirinyaga County Executive Mortgage Scheme Fund was established in line with Section 116 of Public Finance Management Act, 2012 with the approval of the County Assembly of Kirinyaga through the Kirinyaga County Staff Mortgage Scheme Fund Regulations, 2016.

The County endeavoured to abide by the Public Finance Management procedures and regulations, which included; Procurement and Disposals Act, Public Finance Management Act, 2012 among others to ensure optimal utilisation of the County Resources and achieve value for money as enshrined in the Constitution of Kenya 2010.

Currently the Fund has a revolving fund of Ksh 180,984,875 and we are working towards achieving our objective through covering as many members of staff as possible. However, to cover all the Staff Members and Management we are endeavouring to allocate additional seed capital to the Fund in future.


HON. Jacqueline W. Njogu
C.E.C.M- Finance and Economic Planning

6. Report of The Fund Administrator


Kirinyaga County Executive mortgage fund was established to provide a loan scheme for the purchase, development, renovation or repair of residential property to members of staff. The fund caters for county executive officers who are either on permanent employment or on contract. The fund operates as a revolving fund.

The County Government of Kirinyaga entered into an agreement with Fortune Sacco Society Limited to administer the Fund on our behalf. The Fund Administration Committee keeps a closer supervision of the Sacco and has to approve any amount being disbursed for adequate checks. All the loans being disbursed are secured and an insurance cover is there to cushion the County just in-case of any eventuality. To further safeguard the funds, the properties are always charged and jointly registered between the County Government of Kirinyaga and the beneficiary.

During the Financial Year 2022/2023 the fund disbursed mortgage worth Kshs 61,388,930 to staff members against an allocation of Kshs 31,300,000 in our annual budget thereby increasing home ownership and supporting affordable Housing Pillar of the Governments Bottom-Up Economic Model. The Fund continues to operate within approved guidelines for the mortgage scheme fund, however the fund had the following challenges;

- Inconsistent cash flow occasioned by the delayed disbursements of funds to County Governments from the National Treasury contributed to poor implementation of work plans thus affecting objectives achievement.
- The demand for the mortgage is always high compared to the available resources. This leads to a prolonged application process where the applicants have to wait for long periods before disbursements are made. Disbursement is done subject to availability of funds.

Signed: _____



James Muguku Kimaru
Fund Administrator

7. 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.

Strategic development objectives

The County's 2018-2022 CIDP has identified key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Kirinyaga County's 2018-2022 CIDP are to:

- a. To Increase agricultural and Livestock productivity.
- b. To Provide and maintain an integrated road network and infrastructure that is functional and reliable to encourage social and economic development
- c. To Facilitate improvement of livelihoods of the people of Kirinyaga County through efficient Land resource management, Equitable Access, secure Tenure and Sustainable housing.
- d. To offer an efficient and high-quality health care system that is accessible, equitable and affordable.
- e. Regulating, facilitating and promoting economic growth through markets development, tourism development and promotion, industrialization promotion and development.
- f. To provide, promote and co-ordinate lifelong education, training and research for sustainable development.

- g. To co-ordinate and facilitate the delivery of quality development services with special emphasis on youth economic empowerment, recreational facilities development.
- h. To promote the socio-economic development of the community through cultural services development, Gender and social services development
- i. To promote, conserve and protect the environment and biodiversity in order to spur sustainable development as well as facilitate sustainable management and development of water resources for county development

Progress on Attainment of Development Objectives from Annual Development Plan

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|---------------------------|---|------------------------------|------------------|--|
| Public Finance Management | To Give Accurate And Cost-Effective Stewardship Of All Assets And Resources Used In Providing Services. | Prudent financial management | Audit opinion | The Mortgage & Car Loan Scheme Funds have been separated April 2022 as per recommendation of Auditor General |

8. Corporate Governance Statement

Kirinyaga County Executive Staff Mortgage Scheme Fund is established pursuant to section 116 of the Public Finance Management Act, 2012. The Approved County Executive Staff Mortgage Scheme Fund Regulations of 2016 by the County Assembly establishes the Executive Staff Mortgage Advisory Committee. The committee consists of the following members;

- a) The county Executive Committee Member of finance who shall be the chairperson
- b) The county executive committee member for Lands
- c) The Chief Officer Finance
- d) The County Secretary or his nominee
- e) County Executive Member for Health
- f) Fund Administrator

The Advisory Committee shall be supported by a secretariat consisting of

- a) Director Administration
- b) County Attorney
- c) Two County Treasury nominee nominated by the County Head of Treasury

The meetings of the committee shall be convened by the chairperson or in absence of chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary. The officer administering the fund in accordance with PFM Act 2012 shall;

- a) Supervise and control the administration of the fund
- b) Utilize the interest accruing there to defray operating expense and may impose any reasonable restrictions or other requirements
- c) Keep book of accounts and other records

9. Management Discussion and Analysis

It has been six (6) financial year since the introduction of the Kirinyaga County Mortgage Scheme Fund. To date we have a revolving fund amounting to Ksh180,984,875 which is a good progress compared to the limited available resources mainly received through the annual budgetary allocation and salaries recoveries. Though the Fund may enter into a viable financing and development partnership with a legal entity for the purpose of achieving the objectives of the Fund, the fund has never exercised this power to borrow.

The Fund continues to operate within approved guidelines for the Mortgage Scheme Fund, we are keen on loan repayment time frames. The guidelines adopted requires, among other matters, the Management to obtain a valuation of all properties that are taken as security, and thereafter register a charge for any property financed under the Fund to effectively secure the loans.

To enhance the performance of the Fund, the Management appointed Fortune Sacco Society Limited as the Financial Institution to Administer the Fund for the period reported. The Functions of the Financial Institution are;

- (a) operate individual accounts for each borrower, and provide details of recoveries of the loan;
- (b) charge security on properties acquired through loans from the Fund and act as a custodian of such charges;
- (c) transfer funds for newly approved loans to borrowers after the necessary documentation is provided;
- (d) pay all outgoings and issue demand notices to defaulting borrowers through the officer administering the Fund;
- (e) upon repayment of the loan, interest and other expenses which may be outstanding, discharge the charge and release the security documents to the borrower;
- (f) and perform such other duties as may be assigned from time to time.

The Fund has been achieving its objectives over the six financial years since its establishment even with the limited resources available to operate.

10. Environmental and Sustainability Reporting

Executive county Mortgage fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on PFM Act pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

d) Product stewardship- outline efforts to safeguard consumer rights and interests

5. Corporate Social Responsibility / Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

10. Report of The Trustees

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

Principal activities

The principal activities of the Fund are *found on page 3*

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 6


Trustees

The members of the Board of Trustees who served during the year are shown on page 3

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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



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

Date:

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kirinyaga County Staff Mortgage Scheme Fund Regulations, 2016 and Kirinyaga County Staff Car mortgage Scheme Fund Regulations, 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

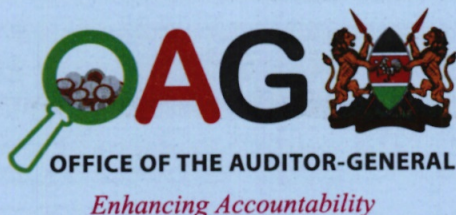
The Fund's financial statements were approved by the Board on 20th September, 2023 and signed on its behalf by:



Fund Administrator
James Muguku Kimaru

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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 Kirinyaga County Executive Staff Mortgage Scheme Fund set out on pages 1 to 42, which comprise of the statement of

Report of the Auditor-General on Kirinyaga County Executive Staff Mortgage Scheme Fund for the year ended 30 June, 2023

financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kirinyaga County Executive Staff Mortgage Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kirinyaga Executive Staff Mortgage Scheme Fund, Regulations, 2016.

Basis for Qualified Opinion

Long Outstanding Mortgage Receivables

The financial statements reflect receivables from exchange transactions balance of Kshs.160,336,497 which as disclosed in Note 13 includes an amount of Kshs.1,707,000 relating to current loan repayments due and Kshs.158,629,497 relating to long term repayments due. However, the balance of Kshs.1,707,000, which has been reported as the current portion of the receivables, relates to arrears accrued from both the principal amount and interest on loans dating back from the year 2017 which have been defaulted on and have since not been recovered.

In the circumstances, the Fund recoverability of Kshs.1,707,000 could not be confirmed.

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

Emphasis of Matter

Loans Issued at Collateral's Market Values

The statement of financial performance reflects an amount of Kshs.63,777,762 in respect of use of goods and services which as disclosed in Note 7 to the financial statements includes a balance of Kshs.61,388,930 relating to loans disbursed during the year under review. Best practice in the commercial mortgage sector requires that 80% of market value (forced value) of the property be applied as the maximum value of a collateral. However, in the financial year 2022/2023, all the loans disbursed were given at 100%

market value of the collaterals offered. Therefore, in case of a default, the security provided may not cover the loan amount.

My opinion is however not modified in respect of the above matter.

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 was no key audit matter to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under Basis for Disclaimer of Opinion and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to resolve the issues. Further, the unresolved issues are not disclosed under the progress on auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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

Failure to Remit Fringe Benefit Tax

Review of records maintained by the Fund Administrator revealed that members of staff were advanced car and mortgage loans at an annual interest rate of 4%. However, the Fund Administrator has not been levying tax on the benefit enjoyed by the staff on the low interest rate below the applicable annual market lending rate in the form of the fringe benefit since the year 2016 when the Fund was established. This is contrary to Section 12B of the Income Tax Act, Cap 470 which requires an employer to pay fringe benefit tax in respect of a loan provided at an interest rate lower than the market interest rate.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Control, 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 an Internal Audit Function and Audit Committee

During the year under review, the Fund did not have an internal audit function or an audit committee in place to review and appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. This was contrary to Section 73(4) and (5) of Public Finance Management Act, 2012 that requires a public entity to have an internal audit unit and audit committee.

In the absence of the internal audit function and the audit committee, the effectiveness of risk management, control and governance assurance could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless 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 comply with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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 Fund's policies and procedures may deteriorate.

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

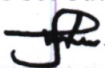
11 January, 2024


Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

| Description | Note | FY2022-2023 | FY2021-2022 |
|---|------|---------------------|------------------|
| | | Kshs | Kshs |
| Revenue From Non-Exchange Transactions | | | |
| Public Contributions and Donations | 1 | - | - |
| Transfers From the County Government | 2 | 44,600,000 | - |
| Fines, Penalties and Other Levies | 3 | - | - |
| | | - | - |
| Revenue From Exchange Transactions | | | |
| Interest Income | 4 | 5,332,713 | 4,466,440 |
| Other Income | 5 | 1,054,008 | - |
| | | - | - |
| Total Revenue | | 50,986,721 | 4,466,440 |
| | | | |
| Expenses | | | |
| Employee Costs | 6 | - | - |
| Use of goods and services | 7 | 63,777,762 | 3,096,753 |
| Depreciation and Amortization Expense | 8 | - | - |
| Finance Costs | 9 | - | - |
| Total Expenses | | 63,777,762 | 3,096,753 |
| Other Gains/Losses | | | |
| Gain/Loss on Disposal of Assets | 10 | - | - |
| Gain /Loss on fair value of investments | 11 | - | - |
| Surplus/(Deficit) for the Period | | (12,791,041) | 1,369,687 |

The notes set out on pages 20 to 40 form an integral part of these Financial Statements


 Name: **JAMES KIMANI**
 Administrator of the Fund


 Name: **BENSON GACHIDI**
 Fund Accountant
 ICPAK Member Number:

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

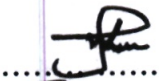
15. Statement of Financial Position As at 30 June 2023


| Description | Note | FY2022-2023 | FY2021-2022 |
|--|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 12 | 20,642,878 | 18,252,542 |
| Current Portion of Long- Term Receivables From Exchange Transactions | 13 | 1,707,000 | 160,341,997 |
| Prepayments | 14 | - | - |
| Inventories | 15 | 5,500 | - |
| Investments in financial assets | 16 | - | - |
| Total current assets | | 22,355,378 | 178,594,539 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 17 | - | - |
| Intangible Assets | 18 | - | - |
| Long Term Receivables from Exchange Transactions | 13 | 158,629,497 | - |
| Investment Property | 19 | - | - |
| Total non- current assets | | - | - |
| Total Assets | | 180,984,875 | 178,594,539 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables from Exchange Transactions | 20 | - | - |
| Current Portion of Borrowings | 21 | - | - |
| Employee Benefit Obligations | 22 | - | - |
| Social benefit liabilities | 23 | - | - |
| Total current liabilities | | - | - |
| Non-Current Liabilities | | | |
| Long Term Portion of Borrowings | 21 | - | - |
| Non-Current Employee Benefit Obligation | 22 | - | - |
| Social benefit liabilities | 23 | - | - |
| Total Liabilities | | - | - |

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| Description | Note | FY2022-2023 | FY2021-2022 |
|---|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Net Assets | | 180,984,875 | 178,594,539 |
| Revolving Fund | | 193,775,916 | 177,224,852 |
| Reserves | | - | - |
| Accumulated Surplus | | (12,791,041) | 1,369,687 |
| Total Net Assets and Liabilities | | 180,984,875 | 178,594,539 |

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 _____ 2023 and signed by:

.....

 Name: **James Kinstru**
 Administrator of the Fund

.....

 Name: **Benson GACHU**
 Fund Accountant
 ICPAK Member Number:

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement Of Changes in Net Assets for the year ended 30th June 2023

| Description | Revolving Fund | Revaluation | Accumulated surplus | Total |
|-----------------------------------|----------------|-------------|---------------------|---------------------|
| | | Reserve | | |
| | | Kshs | Kshs | Kshs |
| Balance As At 1 July 2021 | - | - | - | - |
| Surplus/(Deficit) For the Period | - | - | 1,369,687 | 1,369,687 |
| Funds Received During the Year | - | - | | |
| Transfers | - | | (-) | (-) |
| Revaluation Gain | - | - | - | - |
| Balance As At 30 June 2022 | - | - | | 1,369,687 |
| Balance As At 1 July 2022 | - | - | | |
| Surplus/(Deficit) For the Period | - | - | (12,791,041) | (12,791,041) |
| Funds Received During the Year | - | - | - | - |
| Transfers | - | | (-) | |
| Revaluation Gain | - | - | - | - |
| Balance As At 30 June 2023 | - | - | | (12,791,041) |

(Provide details on the nature and purpose of reserves)

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

| Description | Note | FY2022-2023 | FY2021-2022 |
|--|------|---------------------|------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | | - | - |
| Transfers from the county government | 2 | 44,600,000 | - |
| Interest received | 4 | 5,332,713 | 4,466,440 |
| Receipts from other operating activities | 5 | 1,054,008 | - |
| Total receipts | | 50,986,721 | 4,466,440 |
| Payments | | | |
| Fund administration expenses | | | - |
| General expenses | 7 | 2,388,831 | 3,096,753 |
| Finance cost | | - | - |
| Other payments | | - | - |
| | | 2,388,831 | 3,096,753 |
| Net cash flows from operating activities | | 48,597,889 | 1,369,687 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and Intangible assets | | (-) | (-) |
| Proceeds from sale of property, plant & equipment | | - | - |
| Proceeds from loan principal repayments | | 15,581,377 | - |
| Loan disbursements paid out | 7 | (61,388,930) | (-) |
| Net cash flows used in investing activities | | (46,207,552) | (-) |

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| | | | |
|---|--|-------------------|-------------------|
| Cash flows from financing activities | | | |
| Proceeds from revolving fund receipts | | - | - |
| Additional borrowings | | - | - |
| Repayment of borrowings | | (-) | (-) |
| Net cash flows used in financing activities | | (-) | (-) |
| Net increase/(decrease) in cash & cash Equivalents | | 2,390,336 | 1,369,687 |
| Cash and cash equivalents at 1 July | | 18,252,542 | 16,882,855 |
| Cash and cash equivalents at 30 June | | 20,642,878 | 18,252,542 |

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Utilization |
|------------------------------------|-------------------|-------------|-------------------|----------------------------|------------------------|---------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=(a+b) | d | e=(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Public Contributions and Donations | - | (-) | - | - | (-) | |
| Transfers From County Govt. | 44,600,000 | | 44,600,000 | 44,600,000 | | 100% |
| Interest Income | 5,332,713 | - | 5,332,713 | 5,332,713 | (-) | 100% |
| Other Income | 17,942,385 | - | 17,942,385 | 16,235,385 | 1,707,000 | 90% |
| Total Income | 67,875,098 | (-) | 67,875,098 | 67,875,098 | 1,707,000 | 97% |
| Expenses | | | | | | |
| Fund Administration Expenses | - | - | - | - | (-) | |
| General Expenses | 67,875,098 | (-) | 67,875,098 | 63,777,761 | 2,943,881 | 44% |
| Finance Cost | | (-) | - | - | 1,153,455 | 98% |
| Total Expenditure | 67,875,098 | (-) | 67,875,098 | 63,777,761 | 4,097,336 | 93% |
| Surplus For the Period | - | - | - | 2,390,336 | - | |
| Capital expenditure | - | - | - | - | - | |

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Kirinyaga County Executive Staff Mortgage Scheme Fund
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3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

19. Notes to the Financial Statements

1. General Information

- entity is established by and derives its authority and accountability from - Act. The entity is wholly owned by the - County Government and is domiciled in Kenya. The entity's principal activity is -.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

| Standard | Effective date and impact |
|---|---|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; |

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| Standard | Effective date and impact |
|------------------------------------|--|
| | <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><i>(State the impact of the standard to the Entity if relevant)</i></p> |
| <p>Other improvements to IPSAS</p> | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p> |

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

| Standard | Effective date and impact: |
|-----------------|--|
| <p>IPSAS 43</p> | <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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |

Kirinyaga County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

| Standard | Effective date and impact: |
|--|--|
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

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.

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 20xx was approved by the County Assembly on -x. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of -xx on the FY 20xx budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Investment property

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

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

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

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

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

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

h) Provisions

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

i) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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6. Notes To The Financial Statements

1. Public contributions and donations

| Description | FY2022-2023 | FY2021-2022 |
|------------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Donation From Development Partners | - | - |
| Contributions From The Public | - | - |
| Total | - | - |

(Provide brief explanation for this revenue)

2. Transfers from County Government

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Transfers From County Govt. –Operations | 44,600,000 | |
| Payments By County On Behalf Of The Entity | - | |
| Unconditional Development grants | | |
| Total | 44,600,000 | |

3. Fines, penalties and other levies

| Description | FY2022-2023 | FY2021-2022 |
|------------------------|-------------|-------------|
| | Kshs | Kshs |
| Late Payment Penalties | - | - |
| Fines | - | - |
| Total | - | - |

(Provide brief explanation for this revenue)

4. Interest income

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Interest Income from Mortgage Loans | 5,332,713 | 4,466,440 |
| Interest Income From Car Loans | - | - |
| Interest Income From Investments in financial assets | - | - |
| Interest Income On Bank Deposits | | |
| Total Interest Income | 5,332,713 | 4,466,440 |

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(Provide brief explanation for this revenue)

Notes to the Financial Statements Continued

5. Other income

| Description | FY2022-2023 | FY2021-2022 |
|--------------------------------------|------------------|-------------|
| | Kshs | Kshs |
| Insurance Recoveries | 1,054,008 | - |
| Income from Sale of Tender Documents | - | - |
| Bad debts recovered | - | - |
| Miscellaneous Income | - | - |
| Total Other Income | 1,054,008 | - |

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).

6. Employee Costs

| Description | FY2022-2023 | FY2021-2022 |
|------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Salaries And Wages | - | - |
| Staff Gratuity | - | - |
| Staff Training Expenses | - | - |
| Social Security Contribution | - | - |
| Other (Specify) | - | - |
| Total | - | - |

7. Use of Goods and Services

| Description | FY2022-2023 | FY2021-2022 |
|--------------------------------|-------------|-------------|
| | Kshs. | Kshs. |
| General Office Expenses | - | 865,700 |
| Loan disbursed | 61,388,930 | - |
| Professional Services Costs | - | 290,000 |
| Administration Fees | 1,157,181 | 986,000 |
| Auctioneer Fees | 16,666 | 157,281 |
| Bank Charges | 2,476 | 27,299 |
| Electricity And Water Expenses | - | - |
| Fuel And Oil Costs | - | - |

Kirinyaga County Executive Staff Mortgage Scheme Fund
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| Description | FY2022-2023 | FY2021-2022 |
|--------------------------------------|-------------------|------------------|
| | Kshs. | Kshs. |
| Insurance Costs | 1,054,008 | 770,473 |
| Postage And Courier | - | - |
| Printing And Stationery | - | - |
| Rental Costs | - | - |
| Security Costs | - | - |
| Telephone And Communication Expenses | - | - |
| Bank Charges | - | - |
| Audit Fees | - | - |
| Provision For Doubtful Debts | - | - |
| Other Expenses | 158,500 | - |
| Social benefit expenses* | | |
| Total | 63,777,761 | 3,096,753 |

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

8. Depreciation and Amortization Expense

| Description | FY2022-2023 | FY2021-2022 |
|------------------------------|-------------|-------------|
| | Kshs. | Kshs. |
| Property Plant and Equipment | - | - |
| Intangible Assets | - | - |
| Total | - | - |

9. Finance costs

| Description | FY2022-2023 | FY2021-2022 |
|------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Interest On Bank Overdrafts | - | - |
| Interest On Loans From Banks | - | - |
| Total | - | - |

10. Gain/(loss) on disposal of assets

| Description | FY2022-2023 | FY2021-2022 |
|-------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Property, Plant and Equipment | - | - |
| Intangible Assets | - | - |

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| | | |
|--------------|---|---|
| Total | - | - |
|--------------|---|---|

11. Gain/ (loss) on Fair Value Investments

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| Investments at Fair Value- Equity investments | - | - |
| Fair value – Investment property | - | - |
| Fair value- other financial assets (specify) | - | - |
| Total Gain | - | - |

12. Cash and cash equivalents

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| - Car Loan Account | - | - |
| - County Mortgage Account | 20,642,878 | 18,252,542 |
| Fixed Deposits Account | - | - |
| On – Call Deposits | - | - |
| Current Account | - | - |
| Others (<i>Specify</i>) | - | - |
| Total Cash And Cash Equivalents | 20,642,878 | 18,252,542 |

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes to the Financial Statements Continued

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

| Financial Institution | Account number | FY2022-2023 | FY2021-2022 |
|----------------------------------|------------------|-------------|-------------|
| | | 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 | | - | - |
| Fortune Sacco | 1012225935270015 | 20,642,878 | 18,252,542 |
| Sub- Total | | 20,642,878 | 18,252,542 |
| d) Others (Specify) | | | |
| Cash In Transit | | - | - |
| Cash In Hand | | - | - |
| Sub- Total | | - | - |
| Grand Total | | 20,642,878 | 18,252,542 |

13. Receivables from exchange transactions

| Description | FY2022-2023 | FY2021-2022 |
|---|------------------|-------------|
| | Kshs | Kshs |
| Current Receivables | | |
| Interest Receivable | - | - |
| Current Loan Repayments Due | 1,707,000 | - |
| Other Exchange Debtors | - | - |
| Less: Impairment Allowance | (-) | (-) |
| Total Current Receivables | 1,707,000 | |
| Non-Current Receivables | | |
| Long Term Loan Repayments Due | 158,629,497 | 160,341,997 |
| Total Non- Current Receivables | 158,629,497 | 160,341,997 |
| Total Receivables From Exchange Transactions | 160,336,497 | 160,341,997 |

Notes to the Financial Statements Continued

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Additional disclosure on interest receivable

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Interest Receivable | | |
| Interest receivable from current portion of long-term loans of previous years | - | - |
| Accrued interest receivable from of long-term loans of previous years | - | - |
| 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-term loans from previous periods | - | - |
| Current portion of long-term loans issued in the current year | - | - |

14. Prepayments

| Description | FY2022-2023 | FY2021-2022 |
|--------------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Prepaid Rent | - | - |
| Prepaid Insurance | - | - |
| Prepaid Electricity Costs | - | - |
| Other Prepayments (<i>Specify</i>) | - | - |
| Total | - | - |

15. Inventories

| Description | FY2022-2023 | FY2021-2022 |
|--|--------------|-------------|
| | Kshs | Kshs |
| Consumable Stores | - | - |
| Spare Parts And Meters | - | - |
| Catering | - | - |
| Other Inventories (<i>Specify</i>) | 5,500 | - |
| Total Inventories at The Lower of Cost and Net Realizable Value | 5,500 | - |

Notes to the Financial Statements Continued

Kirinyaga County Executive Staff Mortgage Scheme Fund
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16. Investments in financial assets

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| a. Investment in Treasury bills and bonds | | |
| Financial institution | | |
| CBK | - | - |
| CBK | - | - |
| Sub- total | - | - |
| b. Investment with Financial Institutions/ Banks | | |
| Bank x | - | - |
| Bank y | - | - |
| Sub- total | - | - |
| c. Equity investments (specify) | | |
| Equity/ shares in Entity - | - | - |
| Sub- total | - | - |
| Grand total | - | - |

(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.

Movement of Equity Investments

| Impairment allowance/ provision | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| At the beginning of the year | - | - |
| Purchase of investments in the year | - | - |
| Sale of investments during the year | (-) | (-) |
| Gain/(loss) in fair value of investments through surplus or deficit | - | - |
| At the end of the year | - | - |

e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

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

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

17. Property, plant and equipment

| | Land and Buildings | Motor vehicles | Furniture and fittings | Computers and office equipment | Total |
|--|--------------------|----------------|------------------------|--------------------------------|-------|
| Cost | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 1st July (Previous FY) | - | - | - | - | - |
| Additions | - | - | - | - | (-) |
| Disposals | (-) | (-) | - | (-) | (-) |
| Transfers/Adjustments | - | (-) | - | - | - |
| At 30th June (Previous FY) | - | - | - | - | - |
| At 1st July (Current FY) | - | - | - | - | - |
| Additions | - | - | - | - | (-) |
| Disposals | (-) | - | - | (-) | (-) |
| Transfer/Adjustments | (-) | - | - | - | - |
| At 30th June (Current FY) | - | - | - | - | - |
| Depreciation And Impairment | | | | | |
| At 1st July (Previous FY) | (-) | (-) | (-) | (-) | (-) |
| Depreciation | (-) | (-) | (-) | (-) | (-) |
| Impairment | (-) | - | - | - | (-) |
| At 30th June (Previous FY) | - | - | - | - | - |
| At 1st July (Current FY) | (-) | (-) | (-) | - | (-) |
| Depreciation | (-) | (-) | (-) | - | (-) |
| Disposals | - | - | - | - | (-) |
| Impairment | (-) | (-) | - | - | (-) |
| Transfer/Adjustment | - | (-) | (-) | - | - |
| At 30th June (Current FY) | - | - | - | - | - |
| Net Book Values | | | | | |
| At 30th June (Previous FY) | - | - | - | - | - |
| At 30th June (Current FY) | - | - | - | - | - |

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

18. Intangible assets

| Description | FY2022-2023 | FY2021-2022 |
|------------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Cost | | |
| At Beginning of The Year | - | - |
| Additions | - | - |
| At End of The Year | - | - |
| Amortization And Impairment | | |
| At Beginning of The Year | - | - |
| Amortization | - | - |
| At End of The Year | - | - |
| Impairment Loss | - | - |
| At End of The Year | - | - |
| NBV | - | - |

19. Investment Property

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------|-------------|
| | Kshs | Kshs |
| At beginning of the year | - | - |
| Additions | - | - |
| Disposal during the year | (-) | (-) |
| Depreciation | (-) | (-) |
| Impairment | (-) | (-) |
| Gain/(loss) in fair value (if fair value is elected) | - | - |
| At end of the year | - | - |

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

| Description | FY2022-2023 | | FY2021-2022 | |
|--|-------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| Trade Payables | - | | - | |
| Refundable Deposits | - | | - | |
| Accrued Expenses | - | | - | |
| Other Payables | - | | - | |
| Total Trade and Other Payables | - | | - | |
| | | | | |
| Ageing analysis (Trade and other payables) | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | - | % | - | % |
| 1-2 years | - | % | - | % |
| 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total (tie to above total) | - | | - | |

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

21. Provisions

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

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Notes To The Financial Statements (Continued)

22. Borrowings

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| Balance At Beginning of The Period | - | - |
| External Borrowings During the Year | - | - |
| Domestic Borrowings During the Year | - | - |
| Repayments Of External Borrowings During the Period | (-) | (-) |
| Repayments Of Domestic Borrowings During the Period | (-) | (-) |
| Balance At End of The Period | - | - |

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

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| External Borrowings | | |
| Dollar Denominated Loan From 'X Organization' | - | - |
| Sterling Pound Denominated Loan From 'Y Organization' | - | - |
| Euro Denominated Loan from Z Organization' | - | - |
| Domestic Borrowings | | |
| Kenya Shilling Loan From KCB | - | - |
| Kenya Shilling Loan from Barclays Bank | - | - |
| Kenya Shilling Loan from Consolidated Bank | - | - |
| Borrowings From Other Government Institutions | - | - |
| Total Balance at End of The Year | - | - |

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

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| Short Term Borrowings (Current Portion) | - | - |
| Long Term Borrowings | - | - |
| Total | - | - |

(NB: the total of this statement should tie to note 22 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature

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of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41)

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

23. Employee benefit obligations

| Description | Defined benefit plan | Post employment medical benefits | Other Provisions | Insert Current FY | Insert Comparative FY |
|--------------------------------|----------------------|----------------------------------|------------------|-------------------|-----------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Current Benefit Obligation | - | - | - | - | - |
| Non-Current Benefit Obligation | - | - | - | - | - |
| Total | - | - | - | - | - |

24. Social Benefit Liabilities

| Description | FY2022-2023 | FY2021-2022 |
|--|-------------|-------------|
| | Kshs | Kshs |
| Health social benefit scheme | - | - |
| Unemployment social benefit scheme | - | - |
| Orphaned and vulnerable benefit scheme | - | - |
| Elderly social benefit scheme | - | - |
| Bursary social benefits | - | - |
| Total | - | - |
| Current social benefits | - | - |
| Non-current social benefits | - | - |
| Total (tie to totals above) | - | - |

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

Kirinyaga County Executive Staff Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

25. Cash generated from operations

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| Surplus/ (Deficit) For the Year Before Tax | - | - |
| Adjusted For: | | |
| Depreciation | - | - |
| Amortisation | - | - |
| Gains/ Losses On Disposal Of Assets | (-) | (-) |
| Interest Income | (-) | (-) |
| Finance Cost | - | - |
| Working Capital Adjustments | | |
| Increase In Inventory | (-) | (-) |
| Increase In Receivables | (-) | (-) |
| Increase In Payables | - | - |
| Net Cash Flow From Operating Activities | - | - |

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

Notes To The Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

| Description | FY2022-2023 | FY2021-2022 |
|---------------------------------|-------------|-------------|
| | Kshs | Kshs |
| Transfers From Related Parties' | - | - |
| Transfers To Related Parties | - | - |

c) Key management remuneration

| Description | FY2022-2023 | FY2021-2022 |
|-----------------------------|-------------|-------------|
| | Kshs | Kshs |
| Board Of Trustees | - | - |
| Key Management Compensation | - | - |
| Total | - | - |

d) Due from related parties

| Description | FY2022-2023 | FY2021-2022 |
|----------------------------|-------------|-------------|
| | Kshs | Kshs |
| Due From Parent Ministry | - | - |
| Due From County Government | - | - |
| Total | - | - |

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Other Disclosures Continued

e) Due to related parties

| Description | FY2022-2023 | FY2021-2022 |
|---------------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Due To Parent Ministry | - | - |
| Due To County Government | - | - |
| Due To Key Management Personnel | - | - |
| Total | - | - |

27. Contingent assets and contingent liabilities

| Contingent Liabilities | FY2022-2023 | FY2021-2022 |
|-------------------------------|--------------------|--------------------|
| | Kshs | Kshs |
| Court Case - Against the Fund | - | - |
| Bank Guarantees | - | - |
| Total | - | - |

(Give details)

Notes To The Financial Statements (Continued)

28. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| Description | 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 | - | - | - | - |

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

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Notes To The Financial Statements (Continued)

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

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

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

b) Liquidity risk management

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

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

| Description | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|------------------------------------|-------------------|--------------------|---------------|-------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June (Current FY) | | | | |
| Trade Payables | - | - | - | - |
| Current Portion Of Borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee Benefit Obligation | - | - | - | - |
| Total | - | - | - | - |
| At 30 June (Comparative FY) | | | | |
| Trade Payables | - | - | - | - |
| Current Portion Of Borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee Benefit Obligation | - | - | - | - |
| Total | - | - | - | - |

Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

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

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

| Description | Change in currency rate | Effect on surplus/ deficit | Effect on Equity |
|-------------------------|----------------------------|-------------------------------|---------------------|
| | Kshs | Kshs | Kshs |
| (Current FY) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| (Comparative FY) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs - (2022: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2021 – Kshs -).

Notes To The Financial Statements (Continued)

d) Capital risk management.

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

| Description | FY2022-2023 | FY2021-2022 |
|---|-------------|-------------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Revolving fund | - | - |
| Accumulated surplus | - | - |
| Total funds | - | - |
| Total borrowings | - | - |
| Less: cash and bank balances | (-) | (-) |
| Net debt/(excess cash and cash equivalents) | - | - |
| Gearing | xx% | xx% |

29. Events after the reporting period

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

30. Ultimate and Holding Entity

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

31. Currency

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

20. Annexes

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|----------------------------|--|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Guidance Notes:

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

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

Date.....

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Annex II: Inter-Fund Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary Fund]

[Insert Address]

The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

| Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 20xx | | | | | | | |
|--|----------------|---|-----------------|-----------------------|-------------------|---|------------------------------|
| Reference Number | Date Disbursed | Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 20xx | | | Total (D)=(A+B+C) | Amount Received by [beneficiary Fund] (KShs) as at 30 th June 20xx (E) | Differences (KShs) (F)=(D-E) |
| | | Recurrent (A) | Development (B) | Inter-Ministerial (C) | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

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

Head of Accountants department of beneficiary Fund:

Name SignDate

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Annex III: Reporting of Climate Relevant Expenditures

| Project Name | Project Description | Project Objectives | Project Activities | | | | | Source Of Funds | Implementing Partners |
|--------------|---------------------|--------------------|--------------------|----|----|----|----|-----------------|-----------------------|
| | | | | Q1 | Q2 | Q3 | Q4 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
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Annex IV: Reporting on Disaster Management Expenditure

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