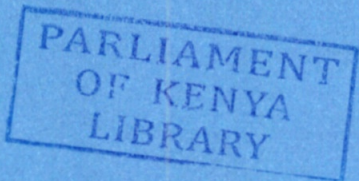


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

KIAMBU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND

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

PAPERS LAID	
DATE	21/3/2024
TABLED BY	Dep. Maj. Whip
COMMITTEE	CPIC
CLERK AT THE TABLE	Cherop



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
KENYA

04 JAN 2024

RECEIVED

COUNTY GOVERNMENT OF KIAMBU
KIAMBU 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)

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Table of Content

1. Acronyms and Glossary of Terms.....	iii
2. Key Entity Information and Management	iv
3. Fund Administration Committee	viii
4. Management Team	x
5. Fund Chairperson’s Report.....	xi
6. Report of The Fund Administrator	xiii
7. Statement of Performance Against the County Fund’s Predetermined Objectives	xiv
8. Corporate Governance Statement	xv
9. Management Discussion and Analysis.....	xvi
10. Environmental and Sustainability Reporting	xix
11. Report of The Trustees	xx
12. Statement of Management’s Responsibilities	xxi
13. Report of The Independent Auditor on the Financial Statements for Kiambu County Executive Staff Mortgage Scheme Fund	xxiii
14. Statement of Financial Performance for the Year Ended 30 th June 2023.....	1
15. Statement of Financial Position As at 30 June 2023.....	2
16. Statement Of Changes in Net Assets for the year ended 30 th June 2023	4
17. Statement of Cash Flows for The Year Ended 30 June 2023.....	5
18. Statement Of Comparison Of Budget And Actual Amounts For The Period	6
19. Notes to the Financial Statements	7
20. Other Disclosures	33
21. Annexes	39

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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
CECM	County Executive Committee Member

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

2. Key Entity Information and Management

a) Background information

Kiambu county executive staff mortgage scheme fund is established by and derives its authority and accountability from Public Finance Management and Kiambu County Executive Staff Mortgage Scheme Fund) Regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

b) Principal Activities

The Fund's principal activity is to provide loans to members of staff for purchase, development, renovation or repair of a residential property.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of a residential property by the member of the scheme.

c) Kiambu County Executive Staff Mortgage Scheme Fund Administration Committee

Ref	Name	Position
	Dr Martin Njogu Mbugua - From 1 st July 2022 to 28th February 2023	County Secretary
1	Peter Ndegwa - From - 1 st March to date	Ag. County Secretary
2	Allan Mwaura	Chairman- County Public Service Board
3	William Kimani	Chief Officer- Finance and Economic Planning
4	Edmund Njihia	Chief officer- Lands Housing & physical planning
5	Ann Kinuthia	Director- Human Resource Management
6	CPA David Kiiru	Fund Manager/ Administrator

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Key Entity and Management (Continued)

d) Key Management team

Ref	Name	Position
1	Fund Manager/ Administrator	CPA David Kiiru
2	Fund Accountant	CPA Anne Mugwe

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Joel Ngeru
2	Kiambu County Executive Staff Mortgage Scheme Fund Advisory Committee Members	Dr Martin Njogu Mbugua - From 1 st July 2022 to 28th February 2023 Peter Ndegwa - From - 1 st March to date Allan Mwaura William Kimani Edmund Njihia Ann Kinuthia CPA David Kiiru
3	Kiambu County Assembly	Chairperson - Public Accounts Committee

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Key Entity and Management (Continued)

f) Registered Offices

P.O. Box 2344-00900
County Headquarter Offices
Kiambu Nairobi Highway
Kiambu, KENYA

g) Fund Contacts

Telephone: (254)-0709877000
mail: info@kiambu.go.ke
Website: www.kiambu.go.ke

h) Fund Bankers

Family Bank
Account No. 001000040515
Account No. 001000040516
Kiambu Branch
Kiambu, Kenya

i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Key Entity and Management (Continued)

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

NAIROBI, KENYA

k) County Attorney

Office of the County Attorney





P.O. Box 2344 - 00900

Kiambu, Kenya

Kiambu County Executive Staff Mortgage Scheme Fund



Annual Report and Financial Statements for the year ended June 30, 2023

3. Kiambu County Staff Mortgage Scheme Fund Administration Committee

Name	Details of qualifications and experience
 <p>Peter Ndegwa</p>	<p>Ag. County Secretary Post graduate - Masters in Business Administration, Bachelor of Science - Accounting, ACCA-UK Diploma in Banking Over 20 years of experience</p>
 <p>Allan Mwaura</p>	<p>Date of Birth 02.04.1972 Masters in Educational administration, Bachelors in Education Allan has a cumulative work and professional experience in the Public Service of over 25 years, as an Educationist and Human Resource Management practitioner in the Civil Service.</p>
 <p>William Kimani</p>	<p>Date of Birth 25.08.1977 Chief Officer Finance and Economic planning Over 20 years' experience MBA-Finance, CPA (K)</p>
 <p>Edmund Njihia Njoroge</p>	<p>Date of Birth 18.03.1976 Chief Officer Lands, Housing and physical planning. Bachelors in Environmental Studies (Science) Over 20 years' experience</p>

Kiambu County Executive Staff Mortgage Scheme Fund



Annual Report and Financial Statements for the year ended June 30, 2023

 <p>Anne Kinuthia</p>	<p>Date of Birth 30.05.1978 Director Human Resource Maters in Human resource management. Over 20 years' experience</p>
 <p>CPA David Kiiru</p>	<p>Date of Birth 24.05.1974 Fund administrator Post graduate - Masters in Business Administration, BCom -Accounting, Certified Public Accountant (CPA(K). Certified Investment and Financial Analysts (CIFA(K), Dip Edu, Dip. Accounting Auditor, Lecturer Over 18 years' experience</p>

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
 CPA David Kiiru	Fund administrator Masters in Business Administration, BCom -Accounting, Certified Public Accountant (CPA(K)). Certified Investment and Financial Analysts (CIFA(K), Dip Edu, Dip. Accounting Auditor, Lecturer Over 18 years' experience in the public service
 CPA Anne Mugwe	Fund Accountant Under graduate - Business Commerce (Bcom-Finance) Certified Public Accountant (CPAK) 9 years' experience

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

5. Fund Chairperson's Report

It is my pleasure to present to you the financial statements of the Kiambu County Executive Staff Mortgage Scheme Fund. The Fund is established by and derives its authority and accountability from Kiambu County Executive Staff Mortgage Scheme Fund Regulations, 2016. The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of a residential property by the member of the scheme.

The Fund's principal activity is to provide loans to members of staff for purchase, development, renovation or repair of a residential property.

Current Year Performance

The fund did not disburse any funds in the financial year ended 30th June 2023 but the beneficiaries repaid Kshs **6,866,281.20**. The fund wish in the near future to disburse loans to a big number of county executive staff in order to improve lives and livelihoods of its workforce.

Implementation challenges

The fund has faced myriad of challenges in implementation of the fund namely:

- The revolving fund kitty is not big enough to support all the County Executive staff. It has so far supported only the County Executive Members (CECMs) who have had political interference challenges as a result of the impeachment of the second governor of the Kiambu County.
- The political interference challenges affected the loan servicing of some beneficiaries as its principal operation was on the basis of deduction of repayment through the salary check off.
- As unprecedented event with no documented approach the fund faces challenge of default of the previously advanced mortgage funds.

Value for Money and Future Outlook

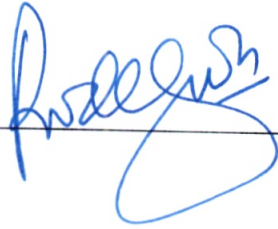
The fund has started issuing mortgage loans to county executive committee members and finally roll out to other county staff in the near future. This will boost morale of staff while at the same

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

time aimed at attaining value for money. The performance of the fund in future is expected to get better and serve a bigger number of staffs with increased allocation of funds to the mortgage fund.

Signed: _____



Peter Ndegwa

Ag. County Secretary

27th December 2023

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

6. Report of The Fund Administrator

Kiambu County Executive Staff Fund discussion and analysis provides an overview of the Funds financial activities for the period ended 30th June 2023 .Since this information is designed to focus on the current period activities resulting changes and currently known facts, it should be read in conjunction with the Funds Financial Statements. The financial report is prepared using appropriate accounting policies and in conformity with the IPSAS.

The fund did not disburse funds in the current financial year (2022/2023). A total of Kshs 6,866,281.20 was recovered from the beneficiaries in the FY 2022/2023 leaving a balance of shs 18,820,529.65 non-performing loans.

The fund wish in the near future to disburse loans to a bigger number of county executive staff in order to improve lives and livelihoods of its workforce. The fund has started issuing mortgage loans to county executive committee members and finally roll out to other county staff in the near future

Implementation challenges

The fund has faced myriad of challenges in implementation of the fund. The revolving fund kitty is not big enough to support the entire county. It has so far supported only the Executive members who have had political interferences challenges as a result of the impeachment of the second governor of the Kiambu County. This has affected the loan servicing as its principal operation was on the basis of deduction of repayment through the salary check off. As unprecedented event with no documented approach the fund faces challenge of default of the previously advanced mortgage funds.

Signed:  _____

David Kiiru Matu

Fund Administrator

27th December 2023

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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

Introduction

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

The key objectives of the Kiambu County Executive Mortgage Scheme fund is to facilitate mortgage to Kiambu County Executive staff so as to ensure that staff have access to affordable housing.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Mortgage	To support County Executive staff in access to mortgage facility	Increased number of staff under the mortgage facility	% of officers motivated to work with the County benefiting from access to Mortgage facility	In FY 22/23 we have continued to ensure the revolving fund is operational by following up on the repayment of outstanding loan balances from the beneficiaries.

The fund is in process of developing a 5yr strategic plan.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

8. Corporate Governance Statement

The loan advisory committee held two meetings during the year in question and the meetings were attended by all members.

The composition of the Kiambu county Loans management and Advisory committee is stipulated by Regulation 7(1) of the Kiambu county Executive Staff Mortgage scheme Fund regulations 2016.

The Functions of the committee is to;

1. Consider and approve all applications for mortgage loan.
2. Approve all housing development and financial proposals related to the fund.
3. Approve the criteria for disbursement of fund.
4. Perform other duties as may be directed by the county Executive member for the proper management of the Fund.

The process of appointment and removal of the committee members is governed by Kiambu County Executive Staff Mortgage Fund regulations 2016.

The fund is in the process of developing board charter in the year 2023/2024

During the year there were no trainings that were conducted by the board members and also the members were not remunerated in any manner including meeting allowances.

There was no conflict of interest and unethical conduct of business.

Kiambu County Executive Staff Mortgage Scheme Fund

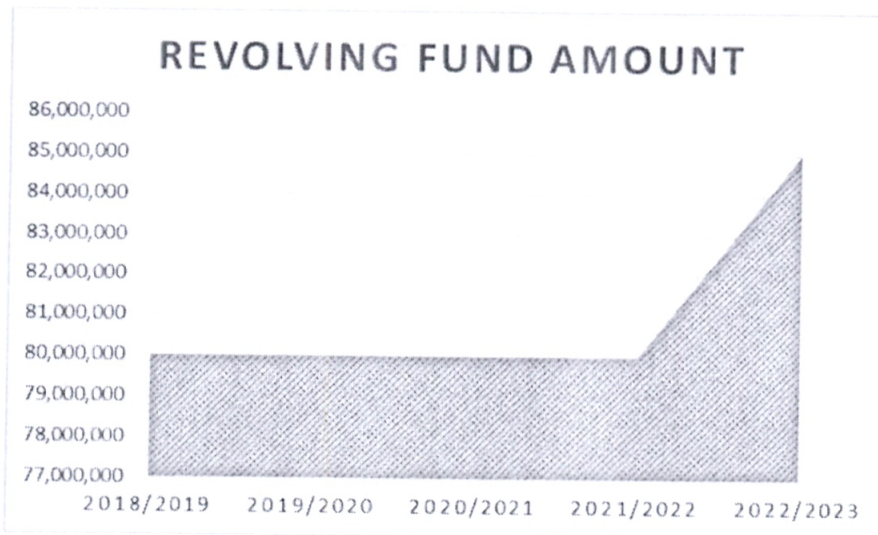
Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

Kiambu County Executive Staff Mortgage Scheme Fund management discussion and analysis provides an overview of the Funds financial activities for the period ended 30th June 2023. This information is designed to focus on the current period activities resulting changes and currently known facts, it should be read in conjunction with the Funds Financial Statements. The financial report is prepared using appropriate accounting policies and in conformity with the IPSAS.

The committee usually holds management and advisory meeting when need arises to review various requests by members of staff.

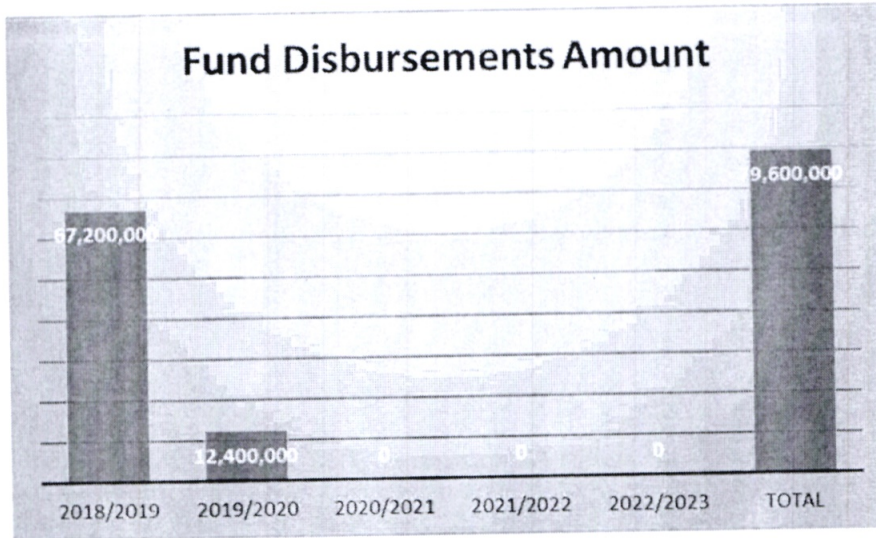
Upon approval of various requests and depending on availability of funds, the financial institution (Family Bank Ltd) tasked with the process of issuing Mortgage loans evaluates the ability to pay of various applicants and processes the requests accordingly. The revolving fund increased during the year from 80million to 85millions as additional budgetary allocation for financial year 2022/2023.



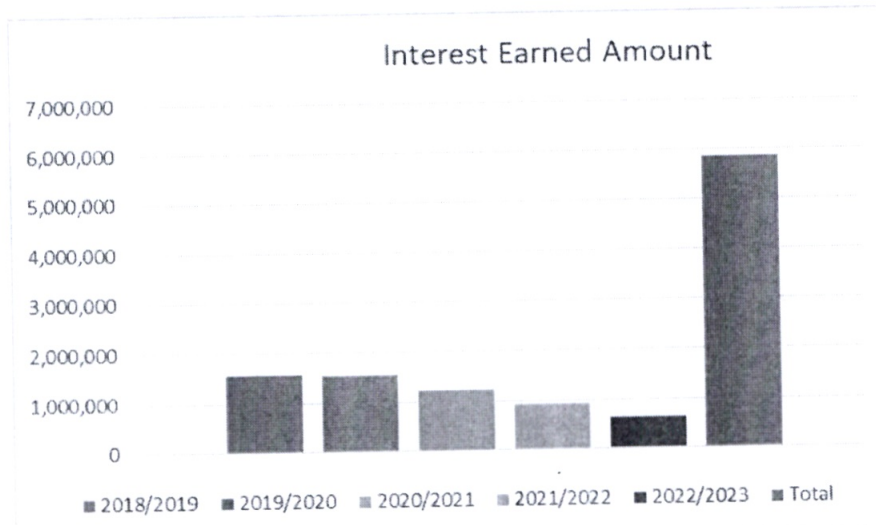
The fund did not disburse funds in the current financial year (2022/2023). A total of Kshs 6,866,281.20 was recovered from the beneficiaries in the last twelve months of the FY 2022/2023 leaving a balance of Kshs 18,820,529 performing and performing loans

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023



The fund earned and interest of shs 626,960.69 This is interest charged on the performing and non-performing loans at the rate of 3% pa compounded monthly. The interest has been recomputed for all the loans from the time of disbursement to end of financial year 30th June, 2023.



The fund reported a loss of Kshs 7,200.00 .During the year the fund complied with all statutory requirements including submission of the relevant quarterly reports to relevant offices e.g Controller of budget, National Treasury.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

The fund complied with the Public Finance Management Act 2012 and Kiambu County Executive Staff Mortgage Scheme Fund regulations 2016.

Major risk affecting the fund including non-performing loans of the former regime. The management has initiated process of recovering the same from the charged collateral.

10. Environmental and Sustainability Reporting

Currently the fund has no corporate social responsibility policy statement therefore no CSR activities were undertaken during year.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are continue to be provision of loans to members of staff for purchase, development, renovation or repair of a residential property.

Results

The results of the Fund for the year ended June 30, 2023 are set out on pages 1-4

Trustees

The members of the Board of Trustees who served during the year are shown on pages viii-ix

Auditors

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

By Order of the Board



.....

Chair of the Board/Fund Administration Committee

Date: 27th December 2023

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a *County Public Fund established by Public Finance Management and Kiambu County Executive Staff Mortgage Scheme Fund) Regulations, 2016*, 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 *Kiambu County Executive Staff 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.

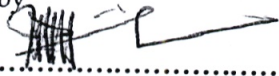
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Approval of the financial statements

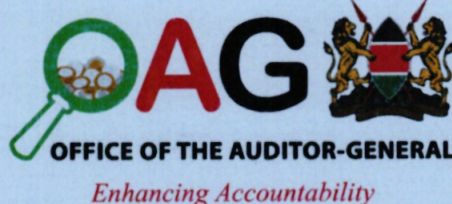
The Fund's financial statements were approved by the Board on 27th December 2023 and signed on its behalf by:



.....
Fund Administrator
Kiambu County Staff Mortgage Scheme Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIAMBU 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kiambu County Executive Staff Mortgage Scheme Fund set out on pages 1 to 40, which comprise of the statement of 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

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

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 the Kiambu 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 Public Finance Management (Kiambu County Executive Staff Mortgage Scheme Fund) Regulations, 2016.

Basis for Qualified Opinion

Non-Payment of Loans

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.18,267,784 as disclosed in Note 13 to the financial statements. Included in this balance is Kshs.15,507,519 advanced to two (2) individuals who are no longer employees of the County Executive of Kiambu. The loans were issued in July, 2018 and January, 2020 and repayment stopped in June, 2020. No effort has been made to recover the loans contrary to Regulation 21(1) of the Public Finance Management (Kiambu County Executive Staff Car Loan and Mortgage Scheme Fund) Regulations, 2016 which provides that where the repayment of a loan is not made in accordance with the terms and conditions of the loan, the sum of money due to the Fund shall be recoverable, without prejudice to any other remedy, in civil proceedings in a court of law.

Further, review of the ledger and individual repayment records revealed that one beneficiary who is an employee of County Executive of Kiambu had not cleared his loan balance of Kshs.1,049,878. No reasons were provided as to why the beneficiaries have not settled the debts which have been outstanding over the years.

In the circumstances, the accuracy and recoverability of loan balance of Kshs.16,557,397 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu County Executive Staff Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts revealed that the County Government of Kiambu appropriated Kshs.12,500,000 to the Kiambu County Executive Staff Mortgage Scheme Fund. However, only Kshs.5,000,000 or 40 % was transferred to the Fund during the year. Further, review of bank statements revealed that the funds were transferred at the close of the financial year on 30 June, 2023. This may have affected the operations of the Fund as staff may not benefit from the disbursed funds.

Failure to receive the expected funds constrained the capacity of the Fund to carry out its programmes in line with its objectives and mandate.

My opinion is not modified in respect of this 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 were no key audit matters to report in the year under review.

Other Matter

Prior Year Audit Issues

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not provided evidence on how the resolutions were arrived at.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Long Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.7,303,690 as disclosed in Note 20 to the financial statements. However, ageing analysis revealed that an amount of Kshs.1,566,982 has

been outstanding for over three years. Further, analysis of the payable's ledger revealed an increase of payables by Kshs.1,037,265 from the balance of Kshs.6,266,425 reported in 2021/2022 to Kshs.7,303,690 in 2022/2023. In addition, an amount of Kshs.1,444,138 for refundable deposits over-deducted from members was outstanding as at 30 June, 2023. No reason was provided as to why the Fund had not refunded the over deducted monies to the respective officers.

In the circumstances, the long outstanding payables may expose the Fund to litigation charges resulting to additional costs and the risk of ceasing operations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective 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 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 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

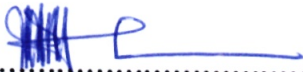
21 February, 2024

Kiambu County Executive Staff Mortgage Scheme Fund

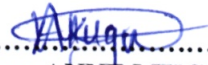
Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	FY 2022 - 2023	FY 2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	0	0
Transfers From the County Government	2A	0	0
Fines, Penalties and Other Levies	3	0	0
Revenue From Exchange Transactions		0	0
Interest Income	4	626,961	907,156
Other Income	5	0	0
		626,961	907,156
Total Revenue		626,961	907,156
Expenses			
Employee Costs	6	0	0
Use of goods and services	7	634,161	914,356
Depreciation and Amortization Expense	8	0	0
Finance Costs	9	0	0
Total Expenses		634,161	914,356
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	0	0
Gain /Loss on fair value of investments	11	0	0
Surplus/(Deficit) for the Period		(7,200)	(7,200)



Name: DAVID KIIRU
Administrator of the Fund
ICPAK Member Number:14797



Name: ANNE MUGWE
Fund Accountant
ICPAK Member Number:21053

(The notes set out on pages 20 to 33 form an integral part of these Financial Statements)

Kiambu 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	FY 2022 - 2023	FY 2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	73,421,421	61,562,340
Current Portion of Long- Term Receivables From Exchange Transactions	13	552,746	563,516
Prepayments	14	0	0
Inventories	15	0	0
Investments in financial assets	16	0	0
Total current assets		73,974,168	62,125,856
Non-Current Assets			
Property, Plant and Equipment	17	0	0
Intangible Assets	18	0	0
Long Term Receivables from Exchange Transactions	13	18,267,784	24,086,030
Investment Property	19	0	0
Total non- current assets		18,267,784	24,086,030
Total Assets		92,241,951	86,211,887
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	7,303,690	6,266,425
Current Portion of Borrowings	21	0	0
Employee Benefit Obligations	22	0	0
Social benefit liabilities	23	0	0
Total current liabilities		7,303,690	6,266,425
Non-Current Liabilities			
Long Term Portion of Borrowings	21	0	0
Non-Current Employee Benefit Obligation	22	0	0
Social benefit liabilities	23	0	0
Total Non-Current liabilities		0	0
Total Liabilities		7,303,690	6,266,425
Net Assets		84,938,261	79,945,461
Revolving Fund		85,000,000	80,000,000
Reserves		0	
Accumulated Surplus		(61,739)	(54,539)
Total Net Assets and Liabilities		84,938,261	79,945,461

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The fund's financial statements were approved on 27th December 2023 and signed by:



.....
Name: DAVID KIIRU
Administrator of the Fund
ICPAK Member Number:14797



.....
Name: ANNE MUGWE
Fund Accountant
ICPAK Member Number:21053

Kiambu 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 Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance As At 1 July 2021	74,000,000	0	5,952,461	79,952,461
Surplus/(Deficit) For the Period	0	0	(7,200)	(7,200)
Funds Received During the Year	0	0	0	0
Transfers	0	0	0	0
Revaluation Gain	0	0	0	0
Prior year adjustment---Note 27	6,000,000	0	(6,000,000)	0
Prior year adjustment—Note27			200	200
Balance As At 30 June 2022	80,000,000	-	(54,539)	79,945,461
Balance As At 1 July 2022	80,000,000	0	(54,539)	79,945,461
Surplus/(Deficit) For the Period	0	0	(7,200)	(7,200)
Funds Received During the Year	5,000,000	0	0	5,000,000
Transfers	0	0	0	0
Revaluation Gain	0	0	0	0
Balance As At 30 June 2023	85,000,000	0	(61,739)	84,938,261

Kiambu 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	FY 2022 - 2023	FY 2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	0	0
Transfers from the county government	2A	0	0
Interest received	4	626,961	907,156.00
Receipts from other operating activities	25	6,866,281	10,699,081.00
Total receipts		7,493,242	11,606,237.00
Payments			
Fund administration expenses	7	626,961	907,156.00
General expenses	7	0	0
Finance cost	9	0	0
Other payments (Bank Charges)	7	7,200	7,200.00
Total Payments		634,161	914,356.00
Net cash flows from operating activities	25	6,859,081	10,699,081.00
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		0	0
Proceeds from sale of property, plant & equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		0	0
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Revolving fund received from County Government	2B	5,000,000	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		5,000,000	0
Net increase/(decrease) in cash & cash Equivalents		11,859,081	10,691,881.00
Cash and cash equivalents at 1st July		61,562,340	50,870,459.00
Cash and cash equivalents at 30th June		73,421,421	61,562,340.00

Kiambu 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	0	0	0	0	0	0%
Transfers From County Govt.	12,500,000	0	12,500,000	5,000,000	7,500,000	40%
Interest Income	626,961	0	626,961	626,961	0	100%
Other Income	0	0	0	0	0	0%
Total Income	13,126,961	0	13,126,961	5,626,961	7,500,000	43%
Expenses						
Fund Administration Expenses	626,961	0	626,961	626,961	0	100%
General Expenses (Bank Charges)	7,200	0	7,200	7,200	0	100%
Finance Cost	0	0	0	0	0	0%
Total Expenditure	634,161	0	634,161	634,161	0	100%
Surplus For the Period	12,492,800	0	12,492,800	4,992,800	7,500,000	40%
Capital expenditure	0	0	0	0	0	0%

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

Kiambu County Executive Staff Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management and Kiambu County Executive Staff Mortgage Scheme Fund Regulations, 2016. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

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
IPSAS 41: Financial Instruments	<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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<p>that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representatives 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>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
Other improvements to IPSAS	<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>

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact:
	presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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 2022/2023 was approved by the County Assembly on 28th June 2022. 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 Kshs.0.00 on the FY 2022/2023 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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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 xxx 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. Investment properties are de-recognized 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-recognized.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognized 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.* 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 amortized 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 cash flows 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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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 does not have any reserves provision and hence no 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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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 authorized 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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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:

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

c) Provisions

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

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.

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements

1. Public contributions and donations

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Donation From Development Partners	0	0
Contributions From The Public	0	0
Total	0	0

2. Transfers

2A. Transfers from County Government

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Transfers From County Govt.	0	0
Payments By County On Behalf Of The Entity	0	0
Unconditional Development grants	0	0
Total	0	0

2B. Revolving fund received

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Revolving fund received from County Government	5,000,000	0
Total	5,000,000	0

This is not a revenue but an additional amount to the revolving fund as part of the FY 2022/23 budgetary allocation. This amount is available for loan disbursements.

3. Fines, penalties and other levies

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Late Payment Penalties	0	0
Fines	0	0
Total	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

4. Interest income

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	626,961	907,156
Interest Income From Car Loans	0	0
Interest Income From Investments in financial assets	0	0
Interest Income On Bank Deposits	0	0
Total Interest Income	626,961	907,156

This is interest charged on the performing and non-performing loans at the rate of 3% pa compounded monthly.

5. Other income

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Insurance Recoveries	0	0
Income from Sale of Tender Documents	0	0
Bad debts recovered	0	0
Miscellaneous Income	0	0
Total Other Income	0	0

6. Employee Costs

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Salaries And Wages	0	0
Staff Gratuity	0	0
Staff Training Expenses	0	0
Social Security Contribution	0	0
Other	0	0
Total	0	0

7. Use of Goods and Services

Description	FY 2022 - 2023	FY 2021-2022
	Kshs.	Kshs.
General Office Expenses	0	0
Loan Processing Costs	0	0
Professional Services Costs	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Administration Fees	626,961	907,156
Committee Allowances	0	0
Bank Charges	7,200	7,200
Electricity And Water Expenses	0	0
Fuel And Oil Costs	0	0
Insurance Costs	0	0
Postage And Courier	0	0
Printing And Stationery	0	0
Rental Costs	0	0
Security Costs	0	0
Telephone And Communication Expenses	0	0
Audit Fees	0	0
Provision For Doubtful Debts	0	0
Other (<i>Specify</i>)	0	0
Social benefit expenses*	0	0
Total	634,161	914,356

8. Depreciation and Amortization Expense

Description	FY 2022 - 2023	FY 2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

9. Finance costs

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Interest On Bank Overdrafts	0	0
Interest On Loans From Banks	0	0
Total	0	0

10. Gain/(loss) on disposal of assets

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

11. Gain/ (loss) on Fair Value Investments

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	0	0
Fair value – Investment property	0	0
Fair value- other financial assets (specify)	0	0
Total Gain	0	0

12. Cash and cash equivalents

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Kiambu County Mortgage loan account-Repayment	68,042,870	61,183,789
Kiambu County Mortgage loan account-issue	5,378,551	378,551
Fixed Deposits Account	0	0
On – Call Deposits	0	0
Current Account	0	0
Others	0	0
Total Cash And Cash Equivalents	73,421,421	61,562,340

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

Financial Institution	Account number	FY 2022 - 2023	FY 2021-2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		0	0
Equity Bank, Etc.		0	0
Sub- Total		0	0
b) On - Call Deposits			
Kenya Commercial Bank		0	0
Equity Bank - Etc.		0	0
Sub- Total		0	0
c) Current Account			
Family Bank	001000040515	5,378,551	378,551
Family Bank	001000040516	68,042,870	61,183,789
Sub- Total		73,421,421	61,562,340
d) Others(Specify)			
Cash In Transit		0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Cash In Hand		0	0
Sub- Total		0	0
Grand Total		73,421,421	61,562,340

13. Receivables from exchange transactions

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	552,746	563,516
Current Loan Repayments Due	0	0
Other Exchange Debtors	0	0
Less: Impairment Allowance	0	0
Total Current Receivables	552,746	563,516
Non-Current Receivables		
Long Term Loan Repayments Due	18,267,784	24,086,030
Total Non- Current Receivables	18,267,784	24,086,030
Total Receivables From Exchange Transactions	18,820,530	24,649,546

Additional disclosure on interest receivable

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	552,746	563,516
Accrued interest receivable from of long-term loans of previous years	1,110,399	546,882
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due		
Current portion of long-term loans from previous years	5,818,247	5,773,314
Accrued principal from long-terms loans from previous periods	11,339,138	17,765,834
Current portion of long-term loans issued in the current year	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

14. Prepayments

Description	FY 2022 - 2023	FY 2021-2022
		FY
	Kshs	Kshs
Prepaid Rent	0	0
Prepaid Insurance	0	0
Prepaid Electricity Costs	0	0
Other Prepayments	0	0
Total	0	0

15. Inventories

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Consumable Stores	0	0
Spare Parts And Meters	0	0
Catering	0	0
Other Inventories	0	0
Total Inventories at The Lower of Cost and Net Realizable Value	0	0

16. Investments in financial assets

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution	0	0
CBK	0	0
CBK	0	0
Sub- total	0	0
b. Investment with Financial Institutions/ Banks		
Sub- total	0	0
c. Equity investments (specify)		
Equity/ shares in Entity	0	0
Sub- total	0	0
Grand total	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Movement of Equity Investments

Impairment allowance/ provision	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
At the beginning of the year	0	0
Purchase of investments in the year	0	0
Sale of investments during the year	0	0
Gain/(loss) in fair value of investments through surplus or deficit	0	0
At the end of the year	0	0

e) Shareholding in other entities

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

Cost	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0
At 30th June 2022	0	0	0	0	0
At 1st July 2022	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0
At 30th June 2023	0	0	0	0	0
Depreciation And Impairment					
At 1 st July 2021	0	0	0	0	0
Depreciation	0	0	0	0	0
Impairment	0	0	0	0	0
At 30th June 2022	0	0	0	0	0
At 1st July 2022	0	0	0	0	0
Depreciation	0	0	0	0	0
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/Adjustment	0	0	0	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

At 30th June 2023	0	0	0	0	0
Net Book Values	0	0	0	0	0
At 30th June 2022	0	0	0	0	0
At 30th June 2023	0	0	0	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Cost		
At Beginning of The Year	0	0
Additions	0	0
At End of The Year	0	0
Amortization And Impairment		
At Beginning of The Year	0	0
Amortization	0	0
At End of The Year	0	0
Impairment Loss	0	0
At End of The Year	0	0
NBV	0	0

19. Investment Property

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	0	0
Depreciation	0	0
Impairment	0	0
Gain/(loss) in fair value (if fair value is elected)	0	0
At end of the year	0	0

20. Trade and other payables from exchange transactions

Description	FY 2022 - 2023		FY 2021-2022	
	Kshs		Kshs	
Trade Payables	5,859,552		5,232,591	
Refundable Deposits	1,444,138		1,033,834	
Accrued Expenses	0		0	
Other Payables	0		0	
Total Trade and Other Payables	7,303,690		6,266,425	
Ageing analysis (Trade and other payables)	FY 2022 - 2023	% of the Total	FY 2021-2022	% of the Total

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Under one year	1,037,264	14%	1,940,990	31%
1-2 years	3,161,335	43%	2,758,453	44%
2-3 years	1,538,108	21%	1,566,982	25%
Over 3 years	1,566,982	21%	0	0%
Total	7,303,690	100%	6,266,425	100%

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	0	0	0	0
Additional Provisions	0	0	0	0
Provision Utilized	0	0	0	0
Change Due To Discount And Time Value For Money	0	0	0	0
Transfers From Non -Current Provisions	0	0	0	0
Balance At The End of The Year	0	0	0	0

22. Borrowings

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments Of External Borrowings During the Period	0	0
Repayments Of Domestic Borrowings During the Period	0	0
Balance At End of The Period	0	0

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

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan	0	0
Sterling Pound Denominated Loan	0	0
Euro Denominated Loan	0	0
Domestic Borrowings	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
Total Balance at End of The Year	0	0

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

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit Obligation	0	0	0	0	0
Total	0	0	0	0	0

24. Social Benefit Liabilities

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total	0	0

Kiambu County Executive Staff Mortgage Scheme Fund**Annual Report and Financial Statements for the year ended June 30, 2023****Notes To The Financial Statements (Continued)****25. Cash generated from operations**

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(7,200)	(7,200)
Adjusted For:		
Depreciation	0	0
Amortization	0	0
Gains/ Losses On Disposal Of Assets	0	0
Interest Income		
Finance Cost	0	0
Working Capital Adjustments		
Increase In Inventory	0	0
Increase In Receivables	5,829,017	5,756,680
Increase In Payables	1,037,264	4,942,201
Prior Adjustment	0	200
Receipts from other operating activities	6,866,281	10,699,081
Net Cash Flow From Operating Activities	6,859,081	10,691,881

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

20. Other Disclosures

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	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Transfers From Related Parties'	5,000,000	0
Transfers To Related Parties	0	0

c) Key management remuneration

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Board Of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
Total	0	0

e) Due to related parties

Description	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
Total	0	0

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Other Disclosures Continued

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY 2022 - 2023	FY 2021-2022
	Kshs	Kshs
Court Case Against the Fund	0	0
Bank Guarantees	0	0
Total	0	0

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 minimize 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 counter-party 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:

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Other Disclosures

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables From Exchange Transactions	18,820,530	0	18,820,530	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	73,421,421	73,421,421	0	0
Total	92,241,951	73,421,421	18,820,530	0
At 30 June 2022				
Receivables From Exchange Transactions	24,649,546	5,559,034	19,090,513	0
Receivables From Non-Exchange Transactions	0	0	0	0
Bank Balances	61,562,340	61,562,340	0	0
Total	86,211,887	67,121,374	19,090,513	0

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

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

b) Liquidity risk management

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

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Other Disclosures

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Payables			7,303,690	7,303,690
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	7,303,690	7,303,690
At 30 June 2022				
Trade Payables	0	0	6,266,425	6,266,425
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	6,266,425	6,266,425

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:

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Other Disclosures

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables	0	0	0
Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

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	Effect on surplus/ deficit	Effect on
	currency rate		equity
	Kshs	Kshs	Kshs
FY 2021/2022			
Euro	0%	0	0
USD	0%	0	0
Fy 2022/2023			
Euro	0%	0	0
USD	0%	0	0

ii. Interest rate risk

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

Management of interest rate risk

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Other Disclosures

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	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Revaluation reserve	0	0
Revolving fund	85,000,000	80,000,000
Accumulated surplus	(61,739)	(54,539)
Total funds	84,938,261	79,945,461
Total borrowings	(7,303,690)	(6,266,425)
Less: cash and bank balances	73,421,421	61,562,340
Net debt/(excess cash and cash equivalents)	66,117,732	55,295,915
Gearing	78%	69%

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 Public Finance Management and Kiambu County Executive Staff Mortgage Scheme Fund) Regulations, 2016.under the Ministry of Finance. Its ultimate parent is the County Government of Kiambu

31. Currency

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

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

21. 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)
OAG/NRO/KSE/SMSF/2021/2022/(28)	Misrepresentation of the name of the fund	The management noted the auditor's observations and the Annual Report and financial statements for the year ended 30th June 2022 have been revised to reflect the correct name of the fund as per the PFM act section 3 (1) (Kiambu County Executive Staff Mortgage Scheme Fund).	Resolved	N/A
OAG/NRO/KSE/SMSF/2021/2022/(28)	Failure to effect impairment on non-performing loans	The management concurs with the auditor that there are some beneficiaries of the mortgage funds who have defaulted in loan repayments. One of them is the former Governor Kiambu County who was impeached by the Senate and the other one was County Executive Committee Member. Both of them are no longer working for Kiambu County Government. The Bank which administers the fund has issued several demand notes and it's in the final stages of recovering the outstanding amounts through the sale of collateral issued by the beneficiaries. The fund has been able to recover Kshs 3,539,160 from gratuity which is payable to the former Governor.	Not Resolved	Waiting for County Assembly Public Account and investment committee to meet and deliberate on the same

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

OAG/NRO/K SE/SMSF/202 1/2022/(28)	Proir year audit issues	The management noted and responded to the various issues raised by the external auditor in the prior year and made corrective actions.	Resolved	N/A
OAG/NRO/K SE/SMSF/202 1/2022/(28)	Non-compliance with the prescribed reporting requirements	The management noted the auditor's observations and the Annual Report and financial statements for the year ended 30th June 2022 have been revised to include the omissions and necessary corrections.	Resolved	N/A
OAG/NRO/K SE/SMSF/202 1/2022/(28)	Failure to enforce loan repayment check off system	During the statutory audit of the financial year 2019/2020, the auditor highlighted the above query, and corrective measures were taken whereby the check-off system was effected and deductions are made from the pays lips of loan beneficiaries and submitted to the bank which manages the fund. The system has been operating smoothly. In order to make sure that the beneficiaries repay their loans within the prescribed period, some of them decided to top up their monthly deductions by depositing more cash over and above their monthly check-off deductions.	Resolved	N/A



Fund Administrator.

Date 27th December 2023

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Annex II: Inter-Fund Confirmation Letter



Kiambu County Executive Staff Mortgage Scheme Fund

P.O. Box 2344-00900

County Headquarter Offices

Kiambu, Kenya

The Kiambu County wishes to confirm the amounts disbursed to you as at 30th June 2023 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.

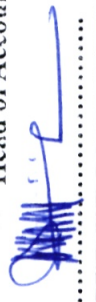
Confirmation of amounts received by Kiambu County Executive Staff Mortgage Scheme Fund as at 30 th June 2023				
		Amounts Disbursed by County Government of Kiambu - Executive (Kshs) as at 30 th June 2023	Amount Received by Kiambu County Executive Staff Mortgage	

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

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Scheme Fund (KShs) as at 30th June 2023	Differences (KShs) (F)=(D-E)
FT2319185RL5	30-Jun-2023	5,000,000	0	0	5,000,000	5,000,000	0
Total		5,000,000	0	0	5,000,000	5,000,000	0

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

Head of Accountants department of beneficiary Fund:



Name; David Kiiru Sign Date; 27th December 2023

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Nil	Nil	Nil	Nil	0	0	0	0	Nil	Nil

Kiambu County Executive Staff Mortgage Scheme Fund

Annual Report and Financial Statements for the year ended June 30, 2023

Annex IV: Reporting on Disaster Management Expenditure

Category	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Disaster Management Expenditure	Nil	Nil	Nil	Nil	Nil	0	Nil