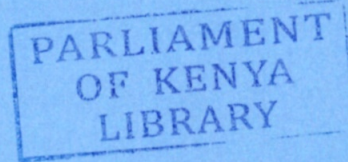


REPUBLIC OF KENYA



Enhancing Accountability

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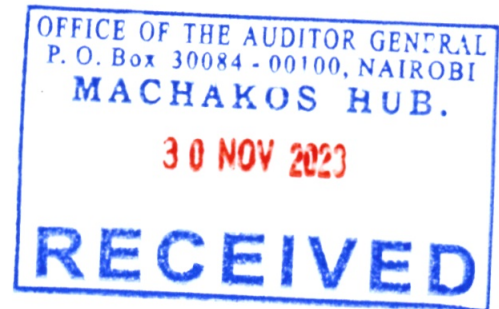
THE AUDITOR-GENERAL

ON

**KITUI COUNTY ASSEMBLY CAR
AND MORTGAGE (MEMBERS)
SCHEME FUND**

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

Revised 30th June 2023



COUNTY GOVERNMENT OF KITUI
KITUI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE (MEMBERS) 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)



*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management - The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Kitui County Assembly Car & Mortgage (Members) Schemes Fund is established by and derives its authority and accountability from Public Finance Management Act, 2012 on 17th March, 2015. The Fund is wholly owned by the County Government of Kitui and is domiciled in Kenya.

The fund's objective is to provide Members of County Assembly (MCAs) with an opportunity to access affordable car loans for purchase of a motor vehicles or mortgages for purchase, development, renovation or repair of residential properties. The principal activity of the fund is to provide car loans and mortgages to Members of County Assembly.

The Fund's principal activity is to provide Members of County Assembly (MCAs) with an opportunity to access affordable car loans for purchase of a motor vehicles or mortgages for purchase, development, renovation or repair of residential properties. The principal activity of the fund is to provide car loans and mortgages to Members of County Assembly.

The fund was operationalized pursuant to the Salaries and Remuneration Commission (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) of 14th February 2014. This necessitated the County Assembly to legislate regulations governing its operations and provide a legal administration framework as advised by the SRC and in line with the PFM regulations 2015. Accordingly, in compliance with regulation 16 of the said regulations, the board also approved the management of the fund to be outsourced from a competent institution under supervision by the Clerk of Assembly. In the year under review, the fund was managed by Family Bank within the agreed Terms of Reference.

b) Principal Activities

The principal activity of the fund is to provide car loans and mortgages to Members of the County Assembly.

Vision

“The fund of choice for Members of County Assembly.”

Mission

“To provide affordable, accessible and sustainable car loans and mortgages to Members of the County Assembly.”

Core Values

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

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c) Fund Administration Committee

Ref	Name	Position
1	Hon. Mathew Vuthi Ngovi	Chairperson of the Committee
2	Hon. Grace S. Mulandi	Member
3	Hon. Sylvester M. Kitheka	Member
4	Hon. Harrison Maluki	Member
5	Hon. Daniel N. Kimanzi	Member
6	Hon. Boniface Katula	Member
7	Hon. Jeremiah Mutua	Member
8	Ms. Gladys K. Mwendwa	Senior Legal Counsel
9	Mr. Elijah M. Mutambuki	Fund Administrator (ex-officio)

d) Key Management team

Ref	Name	Position
1	Mr. Elijah M. Mutambuki	Clerk of the Assembly /Fund Administrator
2	Mrs. Lucy N. Waema	Deputy Clerk of the Assembly
3	Mr. Augustus M. Kyenze	Principal Finance Officer
4	Mr. Mutua Mwendwa	Fund Accountant
5	Mr. Erastus Ndeleva	Principal Human Resource Officer
6	Mr. Josephat K. Kwanda	Principal Clerk Assistant
7	Mr. Lawrence M. Kirigwi	Senior Sergeant-At-Arms
8	Mr. Kevin M. Ndeto	Senior ICT Officer
9	Mr. Teddy Matuku	Senior Hansard Officer
10	Mr. Harrison O. Ouma	Senior Administration Officer

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Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Department of Internal Audit	CPA Risper Mumbe

f) Registered Offices

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

g) Fund Contacts

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

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank
P.O. Box 1033-90200
Kitui, Kenya

Key Entity and Management (Continued)

i) Independent Auditors






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

j) Principal Legal Adviser





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

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3. Fund Administration Committee (Or Any Other Corporate Governance Body for The Fund)






Name	Details of qualifications and experience
<p>1. Hon. Mathew Vuthi</p> 	<p>He was born in 1980. He is a member of County Assembly and the current chairperson of the loans management committee.</p>
<p>2. Hon. Grace S. Mulandi</p> 	<p>She was born in 1982. She is a member of County Assembly. She is a representative of the minority party of the Assembly in the committee. She has interest in community health and hospitality. She is also well versed with revenue collection.</p>
<p>3. Hon. Sylvester Kitheka</p> 	<p>He was born in 1979. He is a member of County Assembly and the minority whip of the Assembly.</p>
<p>4. Hon. Harrison Maluki</p> 	<p>He was born in 1990. He holds Bachelor Degree in ICT and has specialized skills in software development, networking and web development. He is a member of County Assembly and the Leader of Majority wing of the Assembly.</p>
<p>5. Hon. Daniel Kimanzi</p> 	<p>He was born in 1963. He previously worked with TSC as a teacher. He is a member of County Assembly. He is a nominee of the County Assembly Service Board in the loans management committee.</p>
<p>6. Hon. Jeremiah Mutua</p>	<p>He was born in 1988. He holds Bachelor Degree in Economics and Statistics from Kenyatta University. He has special interest in finance, economic planning as well</p>

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**





	<p>as Budgeting. He is the Deputy Minority Leader of County Assembly and a member of the loans management committee.</p>
<p>7. Hon. Boniface Katula</p> 	<p>He was born in 1994. He is the majority whip of the Assembly. He has interest in agriculture and business. He is a member of County Assembly.</p>
<p>8. Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board. He holds a Master of HRM from Balarat University, Australia. He is the secretary to the loans management committee.</p>
<p>9. Gladys K. Mwendwa</p> 	<p>She was born in 1983 and is holder of Bachelor of Law LLB from Nairobi University and a Diploma in law from Law Society of Kenya. She has commendable exposure in matters of law. Currently she is the head of legal department.</p>

*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

4. Management Team

Name and Passport Photo	Details of qualifications, experience, date of birth, work experience and responsibility
<p>Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board He holds a Master of HRM from Balarat University, Australia. He is the Fund Administrator.</p>
<p>Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Deputy Clerk of Assembly.</p>
<p>Augustus M. Kyenze</p> 	<p>He was born in 1980 and holds Master in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer.</p>
<p>Erastus Ndeleva</p> 	<p>Born in 1971. He is a practitioner in Human Resource Management and holds Master in Business Administration from Kenyatta University and Higher National Diploma in Human Resource from Institute of Human Resource Management. He is currently the Principal Human Resource Management Officer.</p>
<p>Lawrence M. Kirigwi</p> 	<p>Born in 1973. Holds a Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms</p>

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<p>Kevin M. Ndeto</p> 	<p>He was born in 1988. Holds Bachelor of Science in Computers. Brings along wealth of experience in computer management. He Currently is the head of ICT Department.</p>
<p>Teddy Matuku</p> 	<p>Born in 1970 and holds Bachelor of Arts (Government and Philosophy) from University of Nairobi. He has 17 years of experience in journalism and Hansard reporting having worked in various positions in government in reporting docket. He is now Head of Hansard Department.</p>
<p>Harrison O. Ouma</p> 	<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently he heads the Administration Department</p>
<p>Josphat Kitheka Kwanda</p>	<p>Born in 1976 and a holder of Bachelor of Education degree. He has extensive experience in banking sector having risen through the ranks to branch manager level. He is the Principal Clerk Assistant and the Head of Legislative Practices and procedures in the County Assembly.</p>
<p>Mutua Mwendwa</p> 	<p>Born in 1983. He has a degree in Business Administration Accounting from Maseno University, CPA (K) and a Certified Fraud and Forensic Examiner (CFFE). He is experienced in public finance management having served in senior positions in finance. He is currently the Fund Accountant.</p>

5. Fund Chairperson's Report

On behalf of the Kitui County Assembly Car Loans & Mortgage (Members) Schemes Fund Management Committee, I have the pleasure of presenting to you the annual report and financial statements for the year ended 30th June, 2023.

- ***Changes in the Fund during the year (in terms of the board or key management team)***

There were no changes in the board of management of the fund during the year.

- ***Review of the Fund's performance***

In the year under review, loans amounting to Kshs. 138,125,915.00 were disbursed. Revenue earned from interest was Kshs. 1,278,940.00 being an increase of 311% compared to the previous year. This increase can be attributed to increase in application of loans by members of the 3rd assembly who joined in August, 2022 general elections. The interest earned was shared between the County Assembly and Family Bank as per the terms of reference at a ratio of 2:1 respectively. The total expenditure during the year was Kshs. 1,085,768.00 consisting of; committees sitting allowances Kshs. 651,010.00, loans administration fee of Kshs. 426,018.00 (1/3 share of interest income recovered by Family Bank Ltd) and bank charges of Ksh. 8,740.00.

- ***Future outlook of the Fund***

The future of the Fund looks brighter and encouraging as the Assembly continues to empower its members. We shall focus immensely on improving the scheme in order to motivate the workforce for enhanced efficiency and effectiveness in the service delivery. In addition, we endeavour to continue receiving the necessary support from the county government and development partners to enable the fund to realize its objective.

- ***Any other matters deemed necessary***

There were few challenges encountered during the year which ranged from; lack of required lien to secure the loans, over committed payslips and delayed disbursements from the National Treasury. We appreciate the challenges since they gave the committee a learning experience on how to enhance the fund's performance in future.

*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

• **Conclusion**

The committee is fully committed to maximizing members' value and assisting the institution in fulfilment of Section 12 (7) of the County Governments Act 2012 while satisfying the spirit of the Salaries and Remuneration Commission of attracting, motivating and retaining skilled Members of County Assembly for better legislation, oversight and representation. Therefore, we endeavour to make the County Assembly of Kitui the best public institution mandated to legislate, oversight and represent people.

Name: MATHEW N. VUTHI Signature:  Date: 29TH NOVEMBER 2023

Hon. Mathew N. Vuthi

Chairperson Fund Management Committee

6. Report of The Fund Administrator

It is with great honour that I present the annual report and financial statements of the Kitui County Assembly Car Loan and Mortgage (Members) Fund Schemes for the year 2022-2023.

The fund was established on 17th March 2015 through guidelines and regulations as advised by the SRC circular and the PFM Act 2014. These fund regulations were passed in the same year and later on reviewed on 6th July, 2018.

a) Financial Performance

(i) Capital Fund

The scheme has so far received a total Kshs. 242,887,928.00 from the County Treasury as revolving fund since inception in 2014. However, the Salaries and Remuneration Commission issued a circular in the month of February 2021 approving payment of car grant to Members of County Assembly. This consequently led to the approval of Kshs. 112 million by the Kitui County Public Service Board for disbursement to members. These car grants were then disbursed from the revolving fund therefore reducing the revolving amount to Kshs. 130,887,928.00

(ii) Revenue

In the year under review, the fund earned gross interest of Kshs. 1,278,940.00 This brought the total gross revenue earned by the fund since inception to Kshs. 15,188,828.00. The interest earned during the year was shared in a ratio of 2:1 between the Assembly and the Family bank as per the terms of agreement.

(iii) Loans

Every member is entitled to a maximum of five million shillings for purchase of either a car or a residential property. As at June 2023, the Assembly had disbursed to members a total of Kshs. 11,528,231.00 as car loans and Kshs. 126,597,684.00 as mortgages. Therefore, the cumulative loans disbursed amount to Kshs. 138,125,915.00.

The principal loans recovered from both car loans and mortgages amount to Kshs. 8,957,812.00 and the outstanding balance as at 30th June 2023 being Kshs. 129,168,103.00

Report of the Fund Administrator (Continued)

(iv) Cash flow

There were few liquidity disruptions experienced during the year as a result of delays in receiving disbursements from the National Treasury. The Assembly mitigated this by ensuring proper recovery measures of the loans disbursed through the payroll.

b) Program Performance

The fund targeted only the Members of County Assembly whose responsibilities fall under Legislative and Oversight program. The intention was to facilitate all members with affordable car loans and mortgage facilities. In this year, thirty-two (32) Member of County Assembly benefited from the mortgages and three (3) from car loans.

c) Value for money achievements

The Committee employed raft of measures in order to ensure proper utilization of the monies. These included; engaging qualified financial institutions to manage the fund. This ensured that all mortgages and car loans disbursed were fully secured and a valuation report provided. These measures curbed misuse of the fund and ensured ultimate achievement of value for money.

d) Implementation challenges

There were a number of challenges faced while implementing the scheme. These ranged from; lack of required lien for the loans, over-committed payslips of the officers, delay in disbursements and long periods taken to perfect the securities due to bureaucratic procedures involved. Consequently, the committee employed a raft of measures to counter the challenges by forming a sub-committee to speed up the inspection the of projects and holding frequent meetings. The Assembly's strategy in achieving its agenda is to work closely with all members of the county assembly to assist them in handling possible challenges hindering their access to the loans. The strategy includes conducting training on personal budget and financial discipline for all members.

e) Risk management strategies

The highest risk attributed to the fund is default by members. However, the management employed a proper loan recovery strategy whereby the loans were strictly recovered by the county payroll

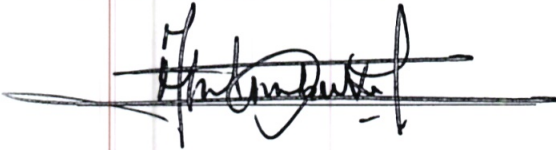
*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

through the Integrated Personnel and Payroll Database (IPPD) system. This in deed minimized chances of loan default.

f) Conclusion

The year we have witnessed an increased uptake of the loans despite the operational challenges faced in the implementation. Indeed, these challenges acted as a learning experience for the institution hence energizing our efforts geared towards achieving the intended objectives.

As a team, we are still committed to serving public a little better every day, in this challenging, inflationary and uncertain environment. The focus is on future goals including improving the welfare of the Members.



**E.M.A MUTAMBUKI
FUND ADMINISTRATOR**

**Kitui County Assembly Car Loan and Mortgage (Members) 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 development objectives of the Kitui County Assembly Car and Mortgage (Members) Fund are to:

- a) Facilitate the Members of County Assembly with affordable mortgage facilities in order to acquire decent residential houses.
- b) Facilitate the Members of the County Assembly with affordable car loans in order to acquire motor vehicles.

Progress on the attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Legislative Department	To facilitate the Members of the County Assembly with affordable loans to acquire motor vehicles.	Increased efficiency in MCAs reporting to job	5% of Members of the County Assembly have benefited from the car loan scheme	In the FY 2022/2023 –Three (3) of the Members of the County Assembly received the car loans.
Legislative Department	To facilitate the Members of County Assembly with affordable loans to acquire decent residential houses	Increased Members of County Assembly morale	54% of members of the county Assembly benefited from the mortgage scheme	In the FY 2022/2023 Thirty-Two (32) of the MCAs received mortgages.

8. Corporate Governance Statement

The Fund's Committee

The scheme is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the Loans Management Committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting. The Committee provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability. It retains full control, monitors implementation of the plans and strategies.

Section 6 (1) of the Regulations established a loans management committee known as the Members Car Loan and Mortgage Management Committee. It is the body mandated to oversee the implementation of this scheme. Its membership consists of: -

- a) The Chairperson – Appointed by the Board from amongst its members who are the members of the county Assembly.
- b) Leader of Majority Party.
- c) Leader of Minority Party.
- d) Majority whip of the County Assembly.
- e) Minority whip of the County Assembly.
- f) Two members of the County Assembly appointed by the Board.

Section 6 (6) of these regulations provides the loans management committee with the mandate to consider and approve disbursements of loan applications presented by the fund's administrator. The process of appointing and removing a committee member is well covered by the regulations.

The Committee Meetings

The meetings of the Committee were convened by the chairperson or in the absence of the chairperson; the vice-chairperson or a member designated by the chairperson at such times as may be necessary for the discharge of its functions. The members are given appropriate and timely information on key activities of the committee. Specifically, they are provided with all the available information in respect of items to be discussed at a meeting prior to availing themselves.

***Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

The committee met 30 times to execute its mandate during the year where 35 applications were considered and approved for disbursement. Members' attendance was commendable since most of the time the meeting was a full house.

Committee Allowances

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

Statement of Compliance

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

Ethics and Conduct

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

Conflict of Interest

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

Internal Control Framework

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

Succession plan

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

Service charter

The fund does not have any service charter so far.

*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

Induction and training

The fund did not carry any training during the year.

Internal Audit

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

Auditor

The fund is audited by the Auditor-General.

9. Management Discussion and Analysis

Operational Performance

This report is particularly important for a number of reasons; the Assembly has seen many of her members acquire new cars and others residential houses since the inception of the fund. Consequently, improving the morale of members tremendously. The Fund so far has disbursed Kshs. 11,528,231.00 car loans and Kshs. 126,597,684.00 mortgage by the close of 30th June, 2023. Cumulatively, loans disbursed to members amount to Kshs. 138,125,915.00. In deed this is a commendable trend which re-assures a bright future performance of the scheme.

The scheme has earned a total net profit of Kshs. 9,010, 040.00 since inception. This increased the fund balance to Kshs. 251,897,968.00 from the Kshs. 242,887,928.00 received from the County Treasury. However, this capital fund was reduced by Kshs. 112 million issued to members as car grants following the approval by the SRC in February 2021. Therefore, the current fund balance stands at Kshs. 139,897,968.00.

The fund is currently being managed by the Family Bank Kitui Branch within an agreed term of reference.

Compliance with Statutory Requirements

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

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

Implementation Challenges

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

*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

a) Lack of Title Deeds

The committee appreciates the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hindered some members of County Assembly from applying for mortgage loans since they lacked the necessary security. The committee expectations are that all Members of County Assembly indeed realize the advantages of having this commendable scheme and purpose to take benefit from these affordable loans.

b) Delays in Disbursements of Funds

There were delays in receiving disbursements from the National Treasury hence delaying payment of loans to respective members.

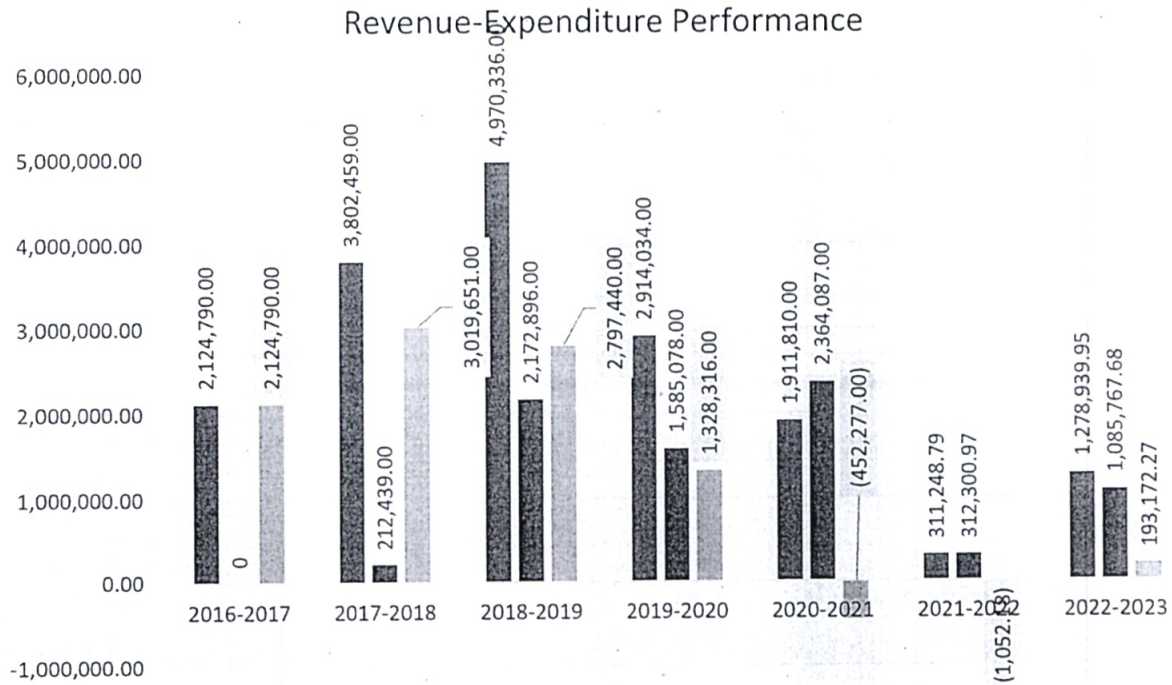
FINANCIAL PERFORMANCE

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

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

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Revenue	4,970,336.00	2,914,034.00	1,911,810.00	311,249.00	1,278,940.00
Expenses	2,172,896.00	1,585,078.00	2,364,087.00	312,301.00	1,085,768.00
Surplus/(Deficit)	2,797,440.00	1,328,316.00	(452,277.00)	(1,052.00)	193,172.00

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**



Risks Facing the Fund

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

Key Project

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

10. Environmental and Sustainability Reporting

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

*Kitui County Assembly Car Loan and Mortgage (Members) 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 to provide car loans and mortgages to Members of the County Assembly.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 3.

Trustees

The members who served during the quarter are shown on pages vi to vii. There were no changes in the Board of management during the financial year.

Auditors

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

By Order of the Board



Hon. Mathew N. Vuthi

Chairperson of the Fund Management Committee

Date: 29/11/2023

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 Kitui County Car Loan & Mortgage (Members) Fund Regulations, 2018 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 Kitui County Car Loan & Mortgage (Members) Fund Regulations, 2018. 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 the Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

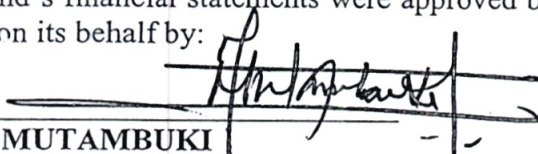
The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the financial statements

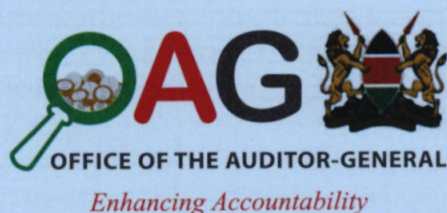
The Fund's financial statements were approved by the Board on 29th NOVEMBER, 2023 and signed on its behalf by:



E.M.A MUTAMBUKI
FUND ADMINISTRATOR

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 KITUI COUNTY ASSEMBLY CAR AND MORTGAGE (MEMBERS) 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund set out on pages 1 to 39, 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 statement of comparison of budget and actual amounts for the year ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kitui County Assembly Car Loan and Mortgage (Members) 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 Kitui County Car Loan and Mortgage (Members) Fund Regulations, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Loan Disbursements to Members

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.89,785,987 as disclosed in Note 13 to the financial statements. Review of ledgers and loan documents in support of the balance revealed that loans amounting to Kshs.23,901,949 were issued irregularly without the requisite collaterals / security documents by way of title deeds and logbooks. As a result, the Fund is exposed to the risk of default by the affected beneficiary members without any recourse.

In the circumstances, the propriety and validity of loans amounting to Kshs.23,901,949 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing 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

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

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the ISSAI (ISSAIs) 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 the Management and those Charged with Governance

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the 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 as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

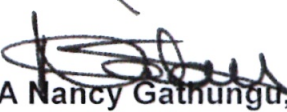
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

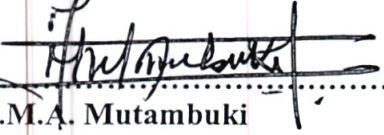
21 December, 2023


*Kitui County Assembly Car Loan and Mortgage (Members) 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	0.00	0.00
Transfers From the County Government	2	0.00	0.00
Fines, Penalties and Other Levies	3	0.00	0.00
		0.00	0.00
Revenue From Exchange Transactions			
Interest Income	4	1,278,940.00	311,249.00
Other Income	5	0.00	0.00
		1,278,940.00	311,249.00
Total Revenue		1,278,940.00	311,249.00
Expenses			
Employee Costs	6	0.00	0.00
Use of goods and services	7	1,085,768.00	312,301.00
Depreciation and Amortization Expense	8	0.00	0.00
Finance Costs	9	0.00	0.00
Total Expenses		1,085,768.00	312,301.00
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	0.00	0.00
Gain /Loss on fair value of investments	11	0.00	0.00
Surplus/(Deficit) for the Period		193,172.00	(1,052.00)

The notes set out on pages 18 to 42 form an integral part of these Financial Statements


E.M.A. Mutambuki
Fund Administrator

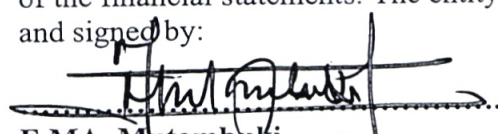

Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

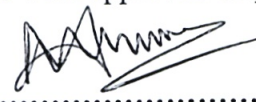
*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

15. Statement of Financial Position As at 30 June 2023

Description	Note	FY2022/2023	FY2021/2022
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	12	10,773,278.00	91,628,318.00
Current portion of long-term receivables from exchange transactions	13	39,536,195.00	193,550.00
Prepayments	14	0.00	0.00
Inventories	15	0.00	0.00
Investment in financial assets	16	0.00	0.00
Non-current assets		0.00	0.00
Property, plant and equipment	17	0.00	0.00
Intangible assets	18	0.00	0.00
Long term receivables from exchange transactions	13	89,785,987.00	0.00
Investment property	19	0.00	0.00
Total assets		140,095,460.00	91,821,868.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	197,492.00	0.00
Current Portion of Borrowings	21	0.00	0.00
Employee Benefit Obligations	22	0.00	0.00
Social benefit liabilities	23	0.00	0.00
Total current liabilities		197,492.00	0.00
Non-current liabilities			
Long Term Portion of Borrowings	21	0.00	0.00
Non-Current Employee Benefit Obligation	22	0.00	0.00
Social benefit liabilities	23	0.00	0.00
Total liabilities		197,492.00	0.00
Net assets		139,897,968.00	91,821,868.00
Revolving Fund		130,887,928.00	83,005,000.00
Reserves		0.00	0.00
Accumulated surplus		9,010,034.00	8,816,868.00
Total net assets and liabilities		139,897,968.00	91,821,868.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29th November 2023 and signed by:


E.M.A. Mutambuki
Fund Administrator


.....
Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

*Kitui County Assembly Car Loan and Mortgage (Members) 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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2021	83,005,000.00	0.00	8,817,920.00	91,822,920.00
Surplus/(deficit) for the period	0.00	0.00	(1,052.00)	(1,052.00)
Funds received during the year	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2022	83,005,000.00	0.00	8,816,868.00	91,821,868.00
Balance as at 1 July 2023	83,005,000.00	0.00	8,816,868.00	91,821,868.00
Surplus/(deficit) for the period	0.00	0.00	193,172.00	193,172.00
Funds received during the year	47,882,928.00	0.00	0.00	47,882,928.00
Transfers	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2023	130,887,928.00	0.00	9,010,040.00	139,897,968.00

*Kitui County Assembly Car Loan and Mortgage (Members) 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		0.00	0.00
Transfers from the County Government		0.00	0.00
Interest received		1,278,940.00	311,249.00
Receipts from other operating activities		0.00	0.00
Total Receipts		1,278,940.00	311,249.00
Payments			
Fund Administrative expenses		1,085,768.00	312,301.00
General Expenses		0.00	0.00
Finance costs		0.00	0.00
Other payments		0.00	0.00
Net cash flows from operating activities	25	(128,737,968.00)	22,595,285.00
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0.00	0.00
Proceeds from the sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
Net cash flows used in investing activities		0.00	0.00
Cash flows from financing activities			
Proceeds from revolving fund receipts		47,882,928.00	0.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
Car Grants disbursed		0.00	0.00
Net cash flows used in financing activities		47,882,928.00	0.00
Net increase/(decrease) in cash and cash equivalents		(80,855,040.00)	22,595,285.00
Cash and cash equivalents at 1 JULY 2022		91,628,318.00	69,033,033.00
Cash and cash equivalents at 30 JUNE 2023		10,773,278.00	91,628,318.00

18. Statement Of Comparison of Budget and Actual Amounts for The Period

Description	Original budget	Adjustments	Final budget	Actual on a 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	0.00	0.00	0.00	0.00	0.00	0%
Transfers From County Govt.	0.00	0.00	0.00	0.00	0.00	0%
Interest Income	1,330,000.00	0.00	1,330,000.00	1,278,940.00	51,060.00	96%
Other Income	0.00	0.00	0.00	0.00	0.00	0%
Total Income	1,330,000.00	0.00	1,330,000.00	1,278,940.00	51,060.00	96%
Expenses						
Loan Processing costs	450,000.00	0.00	450,000.00	426,018.00	23,982.00	95%
Fund Administration Expenses	700,000.00	0.00	700,000.00	651,010.00	48,990.00	93%
General Expenses	0.00	0.00	0.00	0.00	0.00	0%
Finance Cost	12,000.00	0.00	12,000.00	8,740.00	3,260.00	73%
Total Expenditure	1,162,000.00	0.00	1,162,000.00	1,085,768.00	76,232.00	93%
Surplus For the Period	168,000.00	0.00	168,000.00	193,172.00	(25,172.00)	115%
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00

Budget notes

1. Finance costs- These were bank processing charges. During the year under review, there were few transfers hence bank transactions had low charges.
2. There were no changes to the original budget during the financial year.

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

19. Notes to the Financial Statements

1. General Information

Kitui County Assembly Car & Mortgage (Members) Schemes Fund was established by and derives its authority and accountability from the Public Finance Management Act 2012. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya. The entity's principal activity is to provide car loans and mortgages to Members of the County Assembly.

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

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in the scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>There was no impact of the amendment to IPSAS 41 with respect to the current financial report.</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position, and cash flows. <p><i>There was no impact of the amendment to IPSAS 42 with respect to the current financial report.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>There was no impact of the above IPSAS amendments with respect to the current financial report.</i></p>
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> <p><i>There was no impact of the above IPSAS amendments with respect to the current financial report</i></p>

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

Standard	Effective date and impact:
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</p>

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

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

(iii) Early adoption of standards

The entity did not early adopt any new or amended standards in Financial Year 2022-2023.

3. 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 30th April 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs. 103M on the FY 2022/2023 budget following the governing body's approval.

The entity's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an 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.

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Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant, and equipment

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

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 derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* 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 cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for the 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 a surplus or deficit model.

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 19*.

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 the 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.

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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. *The assembly does not maintain reserves.*

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

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.

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6. Notes to The Financial Statements

1. Public contributions and donations

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Donation From Development Partners	0.00	0.00
Contributions From the Public	0.00	0.00
Total	0.00	0.00

2. Transfers from County Government

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Transfers From County Govt. –Operations	0.00	0.00
Payments By County on Behalf Of The Entity	0.00	0.00
Unconditional Development grants	0.00	0.00
Total	0.00	0.00

3. Fines, penalties and other levies

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Late Payment Penalties	0.00	0.00
Fines	0.00	0.00
Total	0.00	0.00

4. Interest income

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Interest Income from Mortgage Loans	1,111,579.00	311,249.00
Interest Income from Car Loans	167,361.00	0.00
Interest Income from Investments in financial assets	0.00	0.00
Interest Income on Bank Deposits	0.00	0.00
Total Interest Income	1,278,940.00	311,249.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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These revenues came from the loan advances to members of County Assembly during the said financial years.

Notes to the Financial Statements Continued

5. Other income

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Insurance Recoveries	0.00	0.00
Income from Sale of Tender Documents	0.00	0.00
Bad debts recovered	0.00	0.00
Miscellaneous Income	0.00	0.00
Total Other Income	0.00	0.00

6. Employee Costs

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Salaries And Wages	0.00	0.00
Staff Gratuity	0.00	0.00
Staff Training Expenses	0.00	0.00
Social Security Contribution	0.00	0.00
Other (<i>Specify</i>)	0.00	0.00
Total	0.00	0.00

7. Use of Goods and Services

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
General Office Expenses	0.00	0.00
Loan Processing Costs	426,018.00	155,661.00
Professional Services Costs	0.00	0.00
Administration Fees	651,010.00	154,000.00
Committee Allowances	0.00	0.00
Bank Charges	8,740.00	2,640.00
Electricity And Water Expenses	0.00	0.00
Fuel And Oil Costs	0.00	0.00
Insurance Costs	0.00	0.00

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Postage And Courier	0.00	0.00
Printing And Stationery	0.00	0.00
Rental Costs	0.00	0.00
Security Costs	0.00	0.00
Telephone And Communication Expenses	0.00	0.00
Bank Charges	0.00	0.00
Audit Fees	0.00	0.00
Provision For Doubtful Debts	0.00	0.00
Other (<i>Specify</i>)	0.00	0.00
Social benefit expenses*	0.00	0.00
Total	1,085,768.00	312,301.00

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

8. Depreciation and Amortization Expense

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Property Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
Total	0.00	0.00

9. Finance costs

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Interest On Bank Overdrafts	0.00	0.00
Interest On Loans From Banks	0.00	0.00
Total	0.00	0.00

10. Gain/(loss) on disposal of assets

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Property, Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
Total	0.00	0.00

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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11. Gain/ (loss) on Fair Value Investments

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Investments at Fair Value- Equity investments	0.00	0.00
Fair value – Investment property	0.00	0.00
Fair value- other financial assets (specify)	0.00	0.00
Total Gain	0.00	0.00

12. Cash and cash equivalents

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Kitui County Assembly Car Loan Account	0.00	0.00
Kitui County Assembly County Mortgage Account	10,773,278.00	91,628,318.00
Fixed Deposits Account	0.00	0.00
On – Call Deposits	0.00	0.00
Current Account	0.00	0.00
Others (<i>Specify</i>)	0.00	0.00
Total Cash And Cash Equivalents	10,773,278.00	91,628,318.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

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		0.00	0.00
Equity Bank, Etc.		0.00	0.00
Sub- Total		0.00	0.00
b) On - Call Deposits			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
Sub- Total		0.00	0.00
c) Current Account			
Family Bank	072000025095	10,773,278.00	91,628,318.00
Family Bank		0.00	0.00
Sub- Total		10,773,278.00	91,628,318.00
d) Others(Specify)			
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
Sub- Total		0.00	0.00
Grand Total		10,773,278.00	91,628,318.00

13. Receivables from exchange transactions

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Current Receivables		
Interest Receivable	154,079.00	0.00
Current Loan Repayments Due	39,382,116.00	30,359.00
Other Exchange Debtors	0.00	163,191.00
Less: Impairment Allowance	(0.00)	(0.00)
Total Current Receivables	39,536,195.00	193,550.00
Non-Current Receivables		
Long Term Loan Repayments Due	89,785,987.00	0.00
Total Non- Current Receivables	89,785,987.00	0.00
Total Receivables From Exchange Transactions	129,322,182.00	193,550.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes to the Financial Statements Continued

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	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
Current loan repayments due		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

14. Prepayments

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Prepaid Rent	0.00	0.00
Prepaid Insurance	0.00	0.00
Prepaid Electricity Costs	0.00	0.00
Other Prepayments (<i>Specify</i>)	0.00	0.00
Total	0.00	0.00

15. Inventories

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Consumable Stores	0.00	0.00
Spare Parts And Meters	0.00	0.00
Catering	0.00	0.00
Other Inventories (Specify)	0.00	0.00
Total Inventories at The Lower of Cost and Net Realizable Value	0.00	0.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes to the Financial Statements Continued

16. Investments in financial assets

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	0.00	0.00
CBK	0.00	0.00
Sub- total	0.00	0.00
b. Investment with Financial Institutions/ Banks		
Bank x	0.00	0.00
Bank y	0.00	0.00
Sub- total	0.00	0.00
c. Equity investments (specify)		
Equity/ shares in Entity xxx	0.00	0.00
Sub- total	0.00	0.00
Grand total	0.00	0.00

Movement of Equity Investments

Impairment allowance/ provision	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
At the beginning of the year	0.00	0.00
Purchase of investments in the year	0.00	0.00
Sale of investments during the year	(0.00)	(0.00)
Gain/(loss) in fair value of investments through surplus or deficit	0.00	0.00
At the end of the year	0.00	0.00

e) Shareholding in other entities

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Kshs	Current year Kshs	Prior year Kshs
Entity A	0.00	0.00	0.00	0.00	0.00	0.00
Entity B	0.00	0.00	0.00	0.00	0.00	0.00
Entity C	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	0.00	0.00	0.00	0.00	0.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	(0.00)	(0.00)	0.00	0.00	(0.00)
Transfers/Adjustments	0.00	(0.00)	0.00	(0.00)	(0.00)
At 30th June 2022	0.00	0.00	0.00	0.00	0.00
At 1st July 2022					
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	(0.00)	0.00	0.00	0.00	(0.00)
Transfer/Adjustments	(0.00)	0.00	0.00	(0.00)	(0.00)
At 30st June, 2023	0.00	0.00	0.00	0.00	0.00
Depreciation And Impairment					
At 1st July 2021	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Impairment	(0.00)	0.00	0.00	0.00	(0.00)
At 30th June 2022	0.00	0.00	0.00	0.00	0.00
At 1st July 2022					
Depreciation	(0.00)	(0.00)	(0.00)	0.00	(0.00)
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	(0.00)	(0.00)	0.00	0.00	(0.00)
Transfer/Adjustment	0.00	(0.00)	(0.00)	0.00	0.00
At 30th June, 2023	0.00	0.00	0.00	0.00	0.00
Net Book Values					
At 30th June, 2022	0.00	0.00	0.00	0.00	0.00
At 30th June, 2023	0.00	0.00	0.00	0.00	0.00

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Notes To the Financial Statements (Continued)

18. Intangible assets

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Cost		
At Beginning of The Year	0.00	0.00
Additions	0.00	0.00
At End of The Year	0.00	0.00
Amortization And Impairment		
At Beginning of The Year	0.00	0.00
Amortization	0.00	0.00
At End of The Year	0.00	0.00
Impairment Loss	0.00	0.00
At End of The Year	0.00	0.00
NBV	0.00	0.00

19. Investment Property

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
At beginning of the year	0.00	0.00
Additions	0.00	0.00
Disposal during the year	(0.00)	(0.00)
Depreciation	(0.00)	(0.00)
Impairment	(0.00)	(0.00)
Gain/(loss) in fair value (if fair value is elected)	0.00	0.00
At end of the year	0.00	0.00

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Notes To the Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	FY 2022-2023		FY 2021-2022	
	Kshs.		Kshs.	
Trade Payables	197,492.00		0.00	
Refundable Deposits	0.00		0.00	
Accrued Expenses	0.00		0.00	
Other Payables	0.00		0.00	
Total Trade and Other Payables	197,492.00		0.00	
Ageing analysis (Trade and other payables)	FY 2022-2023	% of the Total	2021/2022 FY	% of the Total
Under one year	197,492.00	100%	0.00	%
1-2 years	0.00	%	0.00	%
2-3 years	0.00	%	0.00	%
Over 3 years	0.00	%	0.00	%
Total	197,492.00	100%	0.00	0.00%

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning of The Year	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision Utilised	(0.00)	(0.00)	(0.00)	(0.00)
Change Due to Discount And Time Value For Money	(0.00)	(0.00)	(0.00)	(0.00)
Transfers From Non -Current Provisions	0.00	0.00	0.00	0.00
Balance At the End of The Year (2022/2023)	0.00	0.00	0.00	0.00

**Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes To the Financial Statements (Continued)

22. Borrowings

Description	FY 2022-2023	2021/2022
	Kshs.	FY Kshs.
Balance At Beginning of The Period	0.00	0.00
External Borrowings During the Year	0.00	0.00
Domestic Borrowings During the Year	0.00	0.00
Repayments Of External Borrowings During the Period	(0.00)	(0.00)
Repayments Of Domestic Borrowings During the Period	(0.00)	(0.00)
Balance At End of The Period	0.00	0.00

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 From 'X Organization'	0.00	0.00
Sterling Pound Denominated Loan From 'Y Organization'	0.00	0.00
Euro Denominated Loan from Z Organization'	0.00	0.00
Domestic Borrowings	0.00	0.00
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan from Barclays Bank	0.00	0.00
Kenya Shilling Loan from Consolidated Bank	0.00	0.00
Borrowings From Other Government Institutions	0.00	0.00
Total Balance at End of The Year	0.00	0.00

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)	0.00	0.00
Long Term Borrowings	0.00	0.00
Total	0.00	0.00

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes To the Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY 2022-2023	FY 2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

24. Social Benefit Liabilities

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Health social benefit scheme	0.00	0.00
Unemployment social benefit scheme	0.00	0.00
Orphaned and vulnerable benefit scheme	0.00	0.00
Elderly social benefit scheme	0.00	0.00
Bursary social benefits	0.00	0.00
Total	0.00	0.00
Current social benefits	0.00	0.00
Non-current social benefits	0.00	0.00
Total	0.00	0.00

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

Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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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	193,172.00	(1052.00)
Adjusted For:		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ Losses on Disposal Of Assets	0.00	0.00
Interest Income	1,278,940.00	311,249.00
Finance Cost	(1,085,768.00)	(312,301.00)
Working Capital Adjustments		
Increase In Inventory	0.00	0.00
Increase In Receivables	(129,128,632.00)	22,730,459.00
Increase In Payables	197,492.00	(134,122.00)
Net Cash Flow from Operating Activities	(128,737,968.00)	22,595,285.00

*Kitui County Assembly Car Loan and Mortgage (Members) Scheme Fund
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Notes To the Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Transfers From Related Parties'	0.00	0.00
Transfers To Related Parties	0.00	0.00

c) Key management remuneration

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Board Of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
Total	0.00	0.00

d) Due from related parties

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Due From Parent Ministry	0.00	0.00
Due From County Government	0.00	0.00
Total	0.00	0.00

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Other Disclosures Continued

e) Due to related parties

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Due To Parent Ministry	0.00	0.00
Due To County Government	0.00	0.00
Due To Key Management Personnel	0.00	0.00
Total	0.00	0.00

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Court Case Xxx Against the Fund	0.00	0.00
Bank Guarantees	0.00	0.00
Total	0.00	0.00

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Notes To The Financial Statements (Continued)

28. Financial risk management

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

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

a) Credit risk

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

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables From Exchange Transactions	129,322,182.00	129,322,182.00	0.00	0.00
Receivables From Non-Exchange Transactions	0.00	0.00		
Bank Balances	10,773,278.00	10,773,278.00	0.00	0.00
Total	140,095,460.00	140,095,460.00	0.00	0.00
At 30 June 2022				
Receivables From Exchange Transactions	193,550.00	193,550.00	0.00	0.00
Receivables From Non-Exchange Transactions	0.00	0.00		
Bank Balances	91,628,318.00	91,628,318.00	0.00	0.00
Total	91,821,868.00	91,821,868.00	0.00	0.00

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Notes To The Financial Statements (Continued)

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

The entity has a significant concentration of credit risk on amounts due from exchange transactions.

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As At 30 June 2023				
Trade Payables	0.00	197,492.00	0.00	197,492.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
Total	0.00	197,492.00	0.00	197,492.00
As At 30 June 2022				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion Of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation ⁶	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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Notes To the Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description		Other	Total
	Kshs	currencies Kshs	Kshs
At 30 June 2023			
Financial Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ Receivables	0.00	0.00	0.00
Liabilities			
Trade And Other Payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net Foreign Currency Asset/(Liability)	0.00	0.00	0.00

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

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

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
(Comparative FY)			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 3,113 (2023: Kshs 12,789). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 9,659.00 (2023 Kshs. 1,932).

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Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	FY 2022-2023	FY 2021-2022
	Kshs.	Kshs.
Revaluation reserve	0.00	0.00
Revolving fund	130,887,928.00	83,005,000.00
Accumulated surplus	9,010,040.00	8,816,868.00
Total funds	139,897,968.00	91,821,868.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(10,773,278.00)	0.00
Net debt/ (excess cash and cash equivalents)	129,322,182.00	193,550.00
Gearing	92.00%	0.21%

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 PFM Act, 2012 operationalised by Kitui County Assembly car & Mortgage (Members) Scheme fund *under* the County Government of Kitui. Its ultimate parent is the County Government of Kitui.

31. Currency

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

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20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Date when expected to resolve the issue)
N/A	No prior audit matters	N/A	N/A	N/A


E.M.A MUTAMBUKI
FUND ADMINISTRATOR

DATE... 29TH NOVEMBER 2022

