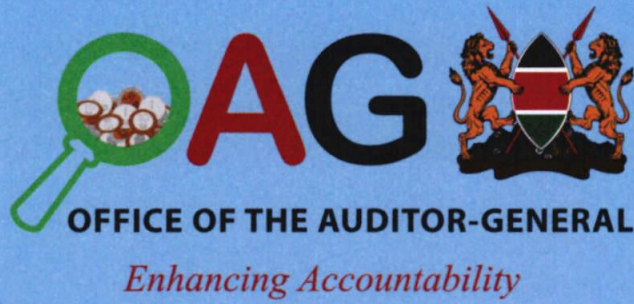
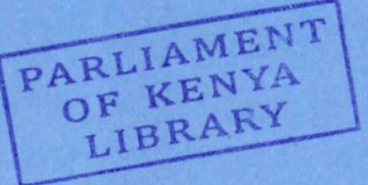


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**KILIFI COUNTY ASSEMBLY (STAFF)
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
DATE	25/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Maalim



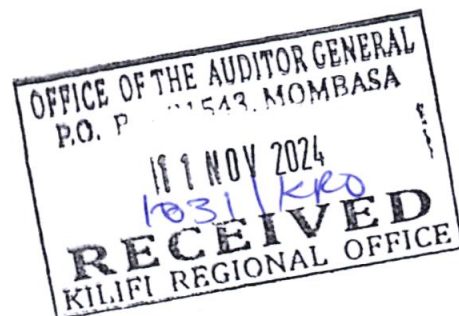
Revised 30th June 2024



KILIFI COUNTY ASSEMBLY (STAFF) MORTGAGE SCHEME FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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



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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
PIC/PAC	Public Investments Committee/Public Accounts Committee
D.O.B	Date of Birth
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility

2. Key Entity Information and Management

a) Background information

Kilifi County Assembly (Staff) Mortgage Scheme Fund is established by and derives its authority and accountability from PFM Act, Section 116, on 16th October 2015. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

The Kilifi Assembly (Staff) Mortgage Scheme Fund is headed by the Deputy Clerk who is the chairperson. The specific regulation governing this fund is Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations, 2015.

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

b) Principal Activities

The Fund's principal activity is to disburse mortgage loans to the members of staff and prudently account for all monies entrusted into the Funds by ensuring that these regulations together with the Public Finance Management Act, 2012 and Public Finance Management (County Government) Regulations, 2015 are adhered to.

c) Board of Trustees/Loan Management Committee

Ref	Name	Position
1	Silas K. Mulewa	Chairperson (Deputy Clerk)
2	Lilian Ngala	Secretary
3	CPA Michael B. Ngala	Fund Administrator
4	Patience P. Kingi	Director Legal Services
5	CPA. Charles Mapinga Lwiga	Fund Accountant- Director Finance
6	Harrison Chizambo	Director Human Resource
7	Mathias Jefwa Mwachiru	Deputy Director-Supply Chain

(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

d) Key Management team

Ref	Name	Position
1	CPA. Michael Bidii Ngala	Fund Administrator
2	CPA. Charles M. Lwiga	Fund Accountant
3	Silas K. Mulewa	Chairperson(Deputy Clerk)
4	Lilian Ngala	Secretary
5	Patience P. Kingi	Director Legal Services
6	Harrison Chizambo	Director Human Resource & Administration
7	Mathias Jefwa Mwachiru	Deputy Director- Supply Chain

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

Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

SN	Position	Name
1	Directorate Internal Audit	CPA. Gideon Furaha Karisa
2	Staff Mortgage Loan Advisory Committee	-Silas K. Mulewa -CPA. Charles Mapinga' -Patience P. Kingi -Harrison Chizambo
3	PIC PAC Members	-Hon. Thaura Mweni -Hon. Mohamed Mwambire -Hon. Thomas Mumba Chengo -Hon. Elina Mapenzi Samini -Hon. Mary Maneno -Hon. Hassan Mohamed -Hon. Biryra Fondo -Hon. Agnes Sidi -Hon. Twaher Abdulkarim

f) Registered Offices

County Assembly Headquarter
 County Assembly Complex
 Assembly Road
 P.O. Box 332-80200
Malindi, KENYA

g) Fund Contacts

Telephone: (254) 0202171220
 E-mail: clerk@kilifiassembly.go.ke
 Website: www.kilifiassembly.go.ke

h) Fund Bankers

1. Kenya Commercial Bank,
P.O Box 9-80200,
Lamu Road,
Malindi, Kenya.

2. SBM Bank,
P.O Box -80200,
Lamu Road,
Malindi, Kenya.

Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

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




k) County Attorney

County Attorney,
Kilifi County Government,
P.O Box 519-80100,
Kilifi, Kenya.





3. Board of Trustees/ Loan Management Committee

Name	Details of qualifications and experience
<p>1. Silas K. Mulewa</p> 	<p>Master's in Business Administration- Strategic Management- ongoing Bachelor of Commerce 15 Years of Experience D.O.B 8th April 1982 Chairperson- Kilifi County Assembly (Staff) Mortgage Fund Committee</p>
<p>2. Lilian Ngala</p> 	<p>Master's in Business Administration-Management Bachelor of Business Administration-Management Bachelor of Business Administration- Marketing 10 Years Working Experience D.O.B 17th March 1990 <i>Ex-Officio</i>/Secretary in the Committee</p>
<p>3. Harrison Chizambo</p> 	<p>Master's in Business Administration-Human Resource Management Bachelor in Business Administration- Human Resource Management Higher Diploma, Human Resource Management and Industrial Relations 17 Years Working Experience D.O.B 21st March 1966 Member-Kilifi County Assembly (Staff) Mortgage Fund Committee</p>
<p>4. Mathias Jefwa Mwachiru</p> 	<p>Masters in Science- Procurement and Logistics Bachelor of Business Information Technology Senior Management Course (KSG) Supply Chain Management 6 Years Working Experience D.O.B 11th November 1982 Member-Kilifi County Assembly (Staff) Mortgage Fund Committee</p>




**Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

<p>5. CPA. Charles Mapinga Lwiga</p> 	<p>Master's in Project Management Bachelor of Commerce- Accounting option Certified Public Accountant of Kenya 12 Years Working Experience D.O.B 12th December, 1972 Fund Accountant</p>
<p>6. Patience P. Kingi</p> 	<p>Bachelor of Law 10 Years Working Experience D.O.B: 27th March 1982 Member & Legal Advisor</p>
<p>7. CPA. Michael Bidii Ngala</p> 	<p>Masters in Business Administration-Strategic Management Certified Public Accountant-Kenya Bachelor of Commerce 15 Years of Experience D.O.B: 12th October, 1977 Fund Administrator</p>

4. Management Team

Name	Details of qualifications and experience
<p>1. Silas K. Mulewa</p> 	<p>Masters in Business Administration- Strategic Management- ongoing Bachelor of Commerce 15 Years of Experience D.O.B: 8th April 1982 Chairperson- Kilifi County Assembly (Staff) Mortgage Fund Committee</p>
<p>2. Lilian Ngala</p> 	<p>Doctorate-ongoing Masters in Business Administration-Management Bachelor of Business Administration-Management Bachelor of Business Administration- Marketing 10 Years Working Experience D.O.B: 17th March 1990 <i>Ex-Officio</i>/Secretary in the Committee</p>
<p>3. Harrison Chizambo</p> 	<p>Masters in Business Administration-Human Resource Management Bachelor in Business Administration- Human Resource Management Higher Diploma, Human Resource Management and Industrial Relations 17 Years Working Experience D.O.B: 21st March 1966 Member</p>
<p>4. Mathias Jefwa Mwachiru</p> 	<p>Masters in Science- Procurement and Logistics Bachelor of Business Information Technology Senior Management Course (KSG) Executive Induction Course (KSG) Supply Chain Management 6 Years Working Experience D.O.B: 11th November 1982 Member</p>

**Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

<p>5. CPA. Charles Mapinga Lwiga</p> 	<p>Masters in Project Management Bachelor of Commerce- Accounting option Certified Public Accountant-Kenya 12 Years Working Experience D.O.B: 12th December, 1972 Fund Accountant</p>
<p>6 Patience P. Kingi</p> 	<p>Bachelor of Law 10 Years Working Experience D.O.B: 27th March 1982 Member & Legal Advisor</p>
<p>7 CPA. Michael Bidii Ngala</p> 	<p>Doctorate-ongoing Masters in Business Administration-Strategic Management Certified Public Accountant-Kenya Bachelor of Commerce 15 Years of Experience D.O.B: 12th October, 1977 Fund Administrator</p>
<p><i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i></p>	

5. Board/Fund Chairperson's Report

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

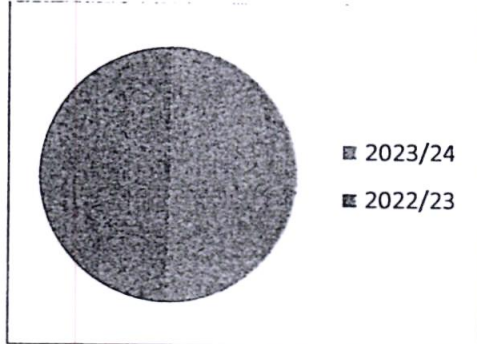
There was no change in key management in the current financial year.

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

Over the past, the fund has had a steady growth in the disbursement of Mortgage Loans to the members of staff.

In the financial year ended 30th June 2024, the fund reported a total income of Kshs. 9,168,607 as compared to the prior financial year income of Kshs. 9,009,630. The fund had a surplus of Kshs. 6,693,299. The surplus subsequently increased the accumulated surplus thus used to disburse more loans to members of staff in the event of loan refinancing. The revolving fund balance is Kshs. 412,796,281 during the year ended 30th June 2024 an increase of Kshs. 50,000,000 from the prior year balances of Kshs. 362,769,281.

Total current expenditure is Kshs 2,475,308 as compared to Kshs. 1,674,438 in the financial year 2022/2023.



- **Future outlook of the Fund**

The fund is developing a five (5) year strategic plan which will be reviewed after every three (3) years. It will also have its own staff that shall be deployed and posted by the County Assembly Service Board. It will also budget for emergencies and support corporate social responsibility. There are neither projects nor investments undertaken by the fund.

During the financial year ended 30th June 2024, the fund ensured compliance with the Public Finance Management Act No. 18 of 2012 and the Public Finance Management (County Government) Regulations, 2015 and other statutory requirements.

The fund is exposed to loan defaults by loan beneficiaries. The fund has insured all the loans disbursed to the members of staff thus mitigating against the risk of default.

Name: Silash K. Mulewa Signature: [Signature] Date: 27/09/2024

Chairperson of the Loan Management Committee

Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

6. Report of The Fund Administrator

Over the past, the fund has had a steady growth in the disbursement of Mortgage Loans to the members of staff. The County Assembly separated the financial statements in response to resolve the prior year audit query. A column of the restated figures is created after separating the audited consolidated financial statements. The statements are separated as Staff Mortgage & MCA's Car and Mortgage statement.

In the financial year ended 30th June 2024, the fund reported a total income of Kshs. 9,168,607 as compared to the prior financial year income of Kshs. 9,009,630. The fund had a surplus of Kshs. 6,693,299. The surplus subsequently increased the accumulated surplus thus used to disburse more loans to members of staff in the event of loan refinancing. The revolving fund balance is Kshs. 412,796,281 during the year ended 30th June 2024 an increase of Kshs. 50,000,000 from the prior year balances of Kshs. 362,769,281. Total current expenditure is Kshs 2,475,308 as compared to Kshs. 1,674,438 in the financial year 2022/2023.

The fund is developing a five (5) year strategic plan which will be reviewed after every three (3) years. It will also have its own staff that shall be deployed and posted by the County Assembly Service Board. It will also budget for emergencies and support corporate social responsibility. There are neither projects nor investments undertaken by the fund.

The main activity of the fund is to disburse mortgage loans to the members of staff. The objective, key performance indicators and actual performance of the loan advanced is summarized in the table below.

Program	Objective	Outcome	Indicator	Performance
Mortgage Loans	To offer good and comfortable housing facilities to the members of staff	Good security Improve living standard	Comfortable housing	Improved economy

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 Kilifi County Assembly (Staff) Mortgage Scheme Fund is yet to achieve its objectives to staff in terms of disbursing loans promptly. Liquidity issues have contributed significantly to qualifying members of staff not been facilitated with the loans. Failure by the Office of the Controller of Budget to approve funding to the Fund Account affected the Cashflow.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff.	To ensure all the members of staff have access to Mortgage facilities.	17 members of staff had successfully applied for mortgage.	76 % (13 out of 17) members of staff were disbursed with the Mortgage facility.	During FY ,2023/2024, thirteen (13) Members of staff accessed the facility and were able to build their own houses

**Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024**

8. Corporate Governance Statement

During the financial year ended 30th June 2024, Fund Administration Committee (Staff Mortgage Scheme Fund) accumulatively held 45 (forty five) meetings with enough quorums.

The following table shows the succession plan.

Position title	Incumbent name	Exit date	No. of candidates	Candidate name
Fund Administrator	CPA. Michael B. Ngala	11/10/2037	1	Silas Mulewa
Chairman	Silas Mulewa	03/08/2042	1	Patience Pili
Member	Charles Mapinga	11/12/2032	1	Joseph Chaka
Member	Harrison Chizambo	20/03/2042	1	Damaris Bakari
Member	Patience Pili	26/03/2042	1	Rashid Mbeto
Member	Mathias Jefwa	10/11/2042	1	Emmanuel Karisa
Secretary	Lilian Gabriel	16/03/2050	1	Mwagandi Kiponda

SERVICE CHARTER

Our Commitment:

This Customer Service Charter marks an important milestone in our commitment to excellence in service delivery. It is a commitment to offer excellent services to our Staff.

Our Obligation:

We shall endeavour to provide our Staff with high quality service by: communicating effectively; acting on any feedback relayed and prompt response; providing accurate, complete, and upto date information; and being polite and courteous.

Our promise:

Attend to you within ten (10) minutes of your visit and treat your concern with confidentiality and privacy.

When you call us on the telephone we shall:

Answer your call within the 3rd ring, be ready and willing to serve, let you know who you are speaking to and remain polite, courteous and friendly.

When you write an e-mail to us, we shall:

Provide an initial response within 12hrs; let you know who is dealing with your inquiry and address the issue to completion within 48hours i.e 3 working days.

When you have a complaint about service, we shall:

Acknowledge receipt of complaint with an initial response within 12 hours and resolve the complaint within 48 hrs i.e 3 working days.

Credit facilities;

Loan/advance processing and disbursements shall be as follows:

- Mortgage - 7days
- Refinance Loan- 4days

The Government:

It is the duty of the Committee to comply with Regulations set by all Government bodies.

General Information:

Our offices are open from Monday to Friday (Weekdays) 8.30a.m to 4.30pm and we are closed on weekends, public and national holidays.

Process of Appointment and removal of trustees:

Regulation 6(1), 6(2) and 6(3) of the Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations, 2015 amended in 2020 provides for the composition of the Kilifi County Assembly (Staff) Mortgage Fund Committee.

Roles and Functions of the Administration Committee Members/Trustee:

Regulation 6(4a-j) to Regulation 6(6) of the Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations 2015 amended in 2020 outlines the roles and function of the Kilifi County Assembly (Staff) Mortgage Fund Committee.

The Loan Management Committee operates in accordance with the broad principles set out in Section 116 of the Public Finance Management Act, 2012 and is responsible for:

- a) Receive and analyze reports from the Fund Administrator
- b) Endorsing loan application
- c) Advising on any additional funds that may be required for the fund
- d) Liaising with the mortgage company (if any) to set up revolving fund for the disbursement of the loans; and
- e) Performing any other functions that may be necessary for the administration of the fund.

Induction and training;

- I. The Secretary, working with the Chairperson shall provide an induction program for new members to enable them to familiarize themselves with their responsibilities, general principles of corporate governance and practices. The induction program will also provide the members with an orientation of the financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.
- II. The Secretary may develop and the Board shall approve procedures for continuing education for the members to maintain or enhance their skills and abilities, especially on matters related to management.

Kilifi County Assembly (Staff) Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2024

Board and Member performance;

- i. On an annual basis, the committee shall undertake an evaluation of its functions as a collective agency.
- ii. In particular, pursuant to section 167 of the Public Finance Management Act, 2017, the Fund Administrator shall be caused to prepare Annual Financial Statements in a form prescribed by the Public Service Accounting Standards Board (PSASB)
- iii. Every member shall familiarize himself/herself with the legal, regulatory and policy instruments impacting on the discharge of the mandates of the Committee for the discharge of his/her duties.
- iv. A member shall not be liable for any act done in good faith in carrying out duties and responsibilities. However, there is no limitation of liability for negligence or breach of the member's duty of care to the organization or its stakeholders, or for acts or omissions not in good faith, or which involve intentional misconduct or violation of the law.

Conflict of Interest;

- i. Each member undertakes to disclose to the Committee promptly the holding of any office or the possession of property in respect of which the Fund has or, may have, an interest or duty that may create (directly or indirectly) a conflict with the member's duties.
- ii. The disclosure must include full details of the nature character and extent of the conflict or potential conflict and made as soon as the Member becomes aware of the conflict or potential conflict.
- iii. Each member shall comply with the requirements of Section 14(11) of the Leadership and Integrity Act, 2012 in relation to the disclosing of the registrable interest.
- iv. A member who has a registrable interest in a matter being discussed at the service meeting may not be present at the meeting while the matter is being considered and if present may not participate in the discussion or vote on that matter.
- v. The declaration of a conflict of interest under (i) above shall also be minuted.

Board/Trustee Remuneration;

Committee members will receive allowance as advised from time to time by the SRC through Gazette notices.

Ethics, Conduct and Governance Audit;

The committee should ensure that a governance audit of the fund is undertaken on an annual basis. The purpose of the governance audit is to ensure that the fund conforms to the highest standards of good governance. The governance audit should cover the following parameters among others;

- a) Leadership and strategic management;
- b) Transparency and disclosure;
- c) Compliance with Laws and Regulations;
- d) Communication with stakeholders;
- e) Committee independence and governance;
- f) Committee systems and procedures;
- g) Consistent shareholder and stakeholders' value enhancement; and
- h) Corporate social responsibility and investment.

9. Management Discussion and Analysis

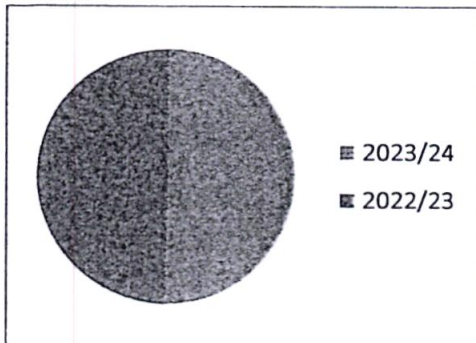
During the Financial Year ended 30th June 2024, loan advanced to staff amounted to Kshs. 66,799,957 as compared to Kshs 4,100,000 in the prior financial year. The increase was due staff being loaned as a result of an exchequer receipt.

The operational costs of the fund comprise of general expenses which include bank charges and sitting allowances paid to loan committee members amounting to Kshs. 2,475,308.

The fund activities are in compliance with the Public Finance Management Act, 2012; Public Finance Management (County Governments) Regulations, 2015; Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations 2015 amended in 2020 and all other statutory requirements.

In the financial year ended 30th June 2024, the fund reported a total income of Kshs. 9,168,607 as compared to the prior financial year income of Kshs. 9,009,630. The fund had a surplus of Kshs. 6,693,299. The surplus subsequently increased the accumulated surplus thus used to disburse more loans to members of staff in the event of loan refinancing. The revolving fund balance is Kshs. 412,796,281 during the year ended 30th June 2024 an increase of Kshs. 50,000,000 from the prior year balances of Kshs. 362,769,281.

Total current expenditure is Kshs 2,475,308 as compared to Kshs. 1,674,438 in the financial year 2022/2023.



Loan defaults in a major risk. The fund management has implemented controls to address the risk by ensuring that all loans are secured (title deeds are insured).

10. Environmental and Sustainability Reporting

In the financial year 2023/2024, the Fund did not participate in any CSR activity.

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund is to disburse mortgage loans to the Staff and prudently account for all monies entrusted into the fund by ensuring that the Mortgage Regulations together with the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 are adhered to.

Results

The results of the Fund for the year ended June 30, 2024 are set out in the Financial Performance; Statement of Financial Position; Statement of Changes in Net Assets; Statement of Cashflow; Statement of Comparison of Budget and Actual amounts as reflected on pages 1 to 6 of the Financial Statements.

Trustees

The fund does not have a board of trustees, but rather, the administrative functions of the Fund are performed by Kilifi County Assembly (Staff) Mortgage Fund Committee. The members of the Committee who served during the financial year ended 30th June 2024 are shown on pages vi to ix of the financial statements. There were no changes in Kilifi County Assembly (Staff) Mortgage Fund Committee in 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



.....
Chair of the Mortgage Fund Committee

Date: 27th September 2024

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 (Kilifi County Assembly (Staff) Mortgage Scheme Fund) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. 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.

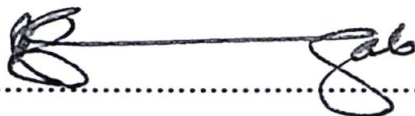
The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kilifi County Assembly (Staff) Mortgage Scheme Funds Regulation 2015 amended in 2020. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2024, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

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

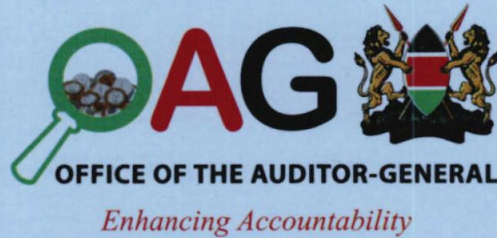
The Fund’s financial statements were approved by the Board on 27th September 2024 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KILIFI COUNTY ASSEMBLY (STAFF) MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 Kilifi County Assembly Staff Mortgage and Car Loan Scheme Fund set out on pages 1 to 25, which comprise the

Report of the Auditor-General on Kilifi County Assembly Staff Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2024

statement of financial position as at 30 June, 2024 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 then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kilifi County Assembly Staff Mortgage and Car Loan Scheme Fund as at 30 June, 2024 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 Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations, 2015 and amended 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Receivables Balance

The statement of financial position reflects total current assets of Kshs.77,026,770. The balance includes Kshs.60,403,448 in respect of receivables balance from County Assembly and Kenya Deposit Insurance Corporation of which a balance of Kshs.12,249,654 was held in Chase Bank which was taken over by SBM Bank upon completion of receivership process. The balance of Kshs.48,153,794 owed by the Assembly has not been supported by a detailed schedule indicating name of employee, designation, amount owed by each and period of debt. Further, the balance includes Kshs.14,827,486 receivable from staff and members of the County Assembly without a breakdown in relation to staff/MCA name, amount owed and duration the debt has been outstanding.

In the circumstances, the accuracy, completeness and recoverability of receivables balance of Kshs.60,403,448 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The summary statement of Comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.59,507,000 and Kshs.59,168,607

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respectively resulting to an under-funding of Kshs.338,393 or 0.6% of the budget. Similarly, the Fund spent Kshs.69,275,265 against actual receipts of Kshs.59,168,607 resulting to an over -utilization of Kshs.10,106,658 or 17%.

My opinion is not modified in respect of this matter.

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. Except for the matter described in the Basis for Qualified Opinion section. There were no audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, Management had not resolved the issues as at 30 June, 2024.

Other Information

The Management are responsible for the other information set out on page iii to xx which comprise of Key Entity Information and Management, Board of Trustees/Loan Management Committee, Management Team, Board/Fund Chairpersons report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Excessive General Expenses

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects general expenses of Kshs.2,475,308 which were in excess of the three percent (3%) limit of Kshs.1,785,210 of the Fund's total Budget of Kshs.59,507,000 resulting to unauthorized expenditure of Kshs.690,098. This is contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations 2015 which provides that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budgets of the Fund.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Office Tenure for Loan Committee Members

As previously reported the Fund Regulations provided for audit revealed that, the Regulations do not contain specific provisions on tenure of office for the Loan Committee, Chairman and Fund Administrator. Equally, the process of their appointment and removal from office is also not specified.

In the circumstances, the effectiveness of the committee in overseeing the Fund's governance and risk management and ensuring the adequacy and effectiveness of the control environment could not be confirmed.

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

were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Kilifi County Assembly (Staff) Mortgage Scheme Fund
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14. Statement of Financial Performance for the Year Ended 30th June 2024

Description	Note	2023-2024	Restated 2022-2023	Audited 2022-2023
		Kshs	Kshs	Kshs
Revenue From Exchange Transactions				
Interest Income	1	8,672,016	8,510,790	12,052,342
Other Income(Insurance Recoveries)	2	496,591	498,840	540,312
Total Revenue		9,168,607	9,009,630	12,592,654
Expenses				
Fund Administration expenses		-	-	-
General expenses	3	2,475,308	1,674,438	12,548,743
Depreciation and Amortization Expense		-	-	-
Finance Costs		-	-	-
Total Expenses		2,474,308	1,674,458	12,548,743
Surplus/(Deficit) for the Period		6,693,299	7,335,172	43,911

(The notes set out on pages 19 to 22 form an integral part of these Financial Statements)



Name: CPA. Michael B. Ngala
 Administrator of the Fund

ICPAK Member Number:23174



Name: Charles M. Lwiga
 Fund Accountant

ICPAK Member Number: 10435


15. Statement of Financial Position As at 30 June 2024

Description	Note	2023-2024	Restated 2022-2023	Audited 2022-2023
		Kshs	Kshs	Kshs
Assets				
Current Assets				
Cash and Cash Equivalents	4	1,795,836	9,088,610	29,144,294
Receivables from County Assembly and KDIC	5	60,403,448	43,403,766	63,070,894
Receivables from Staff and Member of the County Assembly	6	14,827,486	14,827,487	17,338,177
Total current assets		77,026,770	67,319,862	109,553,365
Non-Current Assets				
Mortgage to Members of the County Assembly and Staff (Long term receivables)	7	348,568,300	301,581,910	529,348,406
Total non- current assets		348,568,300	301,581,910	529,348,406
Total Assets (A)		425,595,070	368,901,772	638,901,772
Liabilities				
Current Liabilities				
Trade and Other Payables from Exchange Transactions	8	-	-	-
Total current liabilities		-	-	-
Non-Current Liabilities				
Long Term Portion of Borrowings		-	-	-
Total Liabilities (B)		-	-	-
Net Assets (A-B)		425,595,070	368,901,772	638,901,772
Represented By:				
Revolving Fund		412,769,281	362,769,281	632,769,281
Reserves		-	-	-

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Description	Note	2023-2024	Restated 2022-2023	Audited 2022-2023
		Kshs	Kshs	Kshs
			-	
Accumulated Surplus		12,825,789	6,132,491	6,132,490
Net Assets		425,595,070	368,901,772	638,901,772

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 27th September 2024 and signed by:



.....
Name: CPA. Michael B. Ngala
Administrator of the Fund
ICPAK Member Number: 23174



.....
Name: Charles M. Lwiga
Fund Accountant
ICPAK Member Number: 10435

Kilifi County Assembly (Staff) Mortgage Scheme Fund
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16. Statement of Changes in Net Assets for the year ended 30th June 2024

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2022	362,769,281	-	(1,202,682)	361,566,599
Surplus/(Deficit) For the Period	-	-	7,335,172	7,335,172
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	362,769,281	-	6,132,490	368,901,771
Balance As At 1 July 2023	362,769,281	-	6,132,490	368,901,771
Surplus/(Deficit) For the Period	-	-	6,693,299	6,693,299
Funds Received During the Year	50,000,000	-	-	50,000,000
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2024	412,769,281	-	12,825,789	425,595,970

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17. Statement of Cash Flows for The Year Ended 30 June 2024

Description	Note	2023-2024	Restated	Audited
		Kshs	2022-2023	2022-2023
			Kshs	Kshs
Cash flows from operating activities				
Receipts				
Interest received	1	8,672,016	8,510,790	12,052,342
Receipts from other operating activities(Insurance Recoveries)	2	496,591	498,840	540,312
Total receipts		9,168,607	9,009,630	12,592,654
Payments				
Fund administration expenses		-	-	-
General expenses	3	2,475,308	1,674,458	12,548,743
Total payments		2,475,308	1,674,458	12,548,743
Operating cash flows before adjusting for changes in working capital		6,693,299	7,335,172	43,911
Adjust for:				
Increase in receivables		(16,999,682)	(52,202,679)	(2,020,219)
Increase in payables		-	-	-
Net cash flows from operating activities		(10,306,383)	(53,956,117)	(1,976,309)
Cash flows from investing activities				
Proceeds from loan principal repayments		19,813,567	19,849,188	47,585,202
Loan disbursements paid out		66,799,957	4,100,000	257,100,000
Net cash flows used in investing activities		(46,986,390)	15,749,188	(209,514,798)
Cash flows from financing activities				
Proceeds from revolving fund receipts		50,000,000	-	110,000,000
Net cash flows used in financing activities		50,000,000	-	110,000,000
Net increase/(decrease) in cash & cash Equivalents		(7,292,773)	(29,118,319)	(101,491,106)
Cash and cash equivalents at 1 July		9,088,610	38,206,929	130,635,400
Cash and cash equivalents at 30 June		1,795,836	9,088,610	29,144,294

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

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18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=(a+b)	D	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.		50,000,000	50,000,000	50,000,000	-	100%
Interest Income	9,000,000	-	9,000,000	8,665,534	334,466	96.28%
Other Income(interest on deposit)	7,000	-	7,000	6,482	518	92.60%
Insurance Recoveries	500,000	-	500,000	496,591	3,409	99.32%
Total Income	9,507,000	50,000,000	59,507,000	59,168,607	338,393	99.43%
Expenses						
Fund Administration Expenses	-	-	-	-	-	
General Expenses	2,500,000	-	2,500,000	2,475,308	24,692	99.05%
Finance Cost	-	-	-	-	-	-
Loans Disbursed	-	50,000,000	50,000,000	66,799,957	(16,799,957)	133.60%
Total Expenditure	2,500,000	50,000,000	52,500,000	69,275,265	(16,775,265)	131.96%
Surplus For the Period	7,007,000	-	7,007,000	(10,106,658)	17,113,658	
Capital expenditure	-	-	-	-	-	

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

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2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*
3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

County Assembly of Kilifi is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Kilifi County Government and is domiciled in Kenya. The entity's principal activity is representation, legislature and oversight.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current	<i>Applicable 1st January 2025</i> The Standard requires,

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Assets Held for Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48- Transfer	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider</p>

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Expenses	<p>shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2024.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

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 2023-2024 was approved by the County Assembly on 20th June 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 50,000,000 on the FY 2023-2024 budget following the governing body's approval.

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

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 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.

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Summary of Significant Accounting Policies (Continued)

e) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Summary of 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.

f) Inventories

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

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

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

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

g) 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.

h) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

i) 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.

j) Nature and purpose of reserves

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

k) 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.

l) 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.

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Summary of Significant Accounting Policies (Continued)

m) 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.

n) Borrowing costs

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

o) 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.

p) 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.

q) 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 xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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

Kilifi County Assembly (Staff) Mortgage Scheme Fund
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6. Notes To The Financial Statements Continued

1. Interest income

Description	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Interest Income from Car & Mortgage Loans	8,665,534	8,504,661	12,046,213
Interest Income From Investments in financial assets	-	-	-
Interest Income On Bank Deposits	6,482	6,129	6,129
Total Interest Income	8,672,016	8,510,790	12,052,342

The interest income is normally derived from the beneficiary monthly deductions at a rate of 3%.

Interest income on Bank deposits is from the deposits of monies held in SBM Bank Accounts.

2. Other income

Description	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Insurance Recoveries	496,591	498,840	540,312
Total Other Income	496,591	498,840	540,312

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

3. General expenses

Description	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs.	Kshs	Kshs.
Committee and Secretariat allowances	804,000	1,656,000	12,515,600
Bank charges	17,308	18,458	33,143
Loan Insurance	1,560,000	-	-
Accommodation charges	94,000	-	-
Total	2,475,308	1,674,458	12,548,743

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4. Cash and cash equivalents

Description	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Kilifi County Assembly Car Loan Account	-		-
Kilifi County Assembly Mortgage Account	1,795,836	9,088,610	29,144,294
Total Cash And Cash Equivalents	1,795,836	9,088,610	29,144,294

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

Financial Institution	Account number	2023-2024	Restated 2022-2023	Audited 2022-2023
		Kshs	Kshs	Kshs
a) Fixed Deposits Account				
Kenya Commercial Bank		-		-
Equity Bank, Etc.		-		-
Sub- Total		-		-
b) Current Account				
Kenya Commercial Bank	1181021499	1,661,378	8,952,221	8,952,221
Kenya Commercial Bank	1225276926	-		18,840,668
Family Bank	098000012024	-		1,215,017
SBM Bank	0191330273003	106,076	100,566	100,566
SBM Bank	0191330273002	28,383	35,823	35,823
Sub- Total		1,795,837	9,088,610	29,144,294
c) Others(Specify)				
Cash In Transit		-		-
Cash In Hand		-		-
Sub- Total		-		-
Grand Total		1,795,837	9,088,610	29,144,294

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5. Receivables from County Assembly and KDIC

Description	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Receivables from County Assembly	48,153,794	31,154,112	50,821,240
SBM Bank-Kenya Deposit Insurance Corporation	12,249,654	12,249,654	12,249,654
Total Receivables From non-exchange transactions	60,403,448	43,403,766	63,070,894

6. Receivables from Staff

Staff Name	Date of Exit	Amount	Reasons for exit
		Kshs	
Felix Mwarabu	1 st November 2020	9,730,937	Deceased
Getrude Shume Mbuche	1 st October 2019	5,096,549	Deceased
Total		14,827,486	

7. Receivables from Exchange Transactions- Mortgages to Staff

Description	2023-2024	Reinstated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Non-current Receivables			
Mortgages to County Assembly Staff	348,568,300	301,581,910	529,348,406
Total Non-current Receivables	348,568,300	301,581,910	529,348,406

**Kilifi County Assembly (Staff) Mortgage Scheme Fund
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Notes To The Financial Statements (Continued)

8. 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	2023-2024	Restated 2022-2023	Audited 2022-2023
	Kshs	Kshs	Kshs
Due from County Assembly and KDIC	60,403,448	43,403,766	63,070,894
Total	60,403,448	43,403,766	63,070,894

**Kilifi County Assembly (Staff) Mortgage Scheme Fund
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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 Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unrecovered Receivables from Kenya Deposit Insurance Corporation (KDIC)	The amount is safe in the Government Agency (KDIC) and in due time we will recover the amount.	Unresolved	31 st Dec, 2024
2	Long outstanding Balances on Receivables from Staff and Members of the County Assembly	A Board paper to CASB and a resolution will be made on recovery of the outstanding loans of the deceased members of staff and the honourable member.	Unresolved	31 st Dec, 2024
3	Issuance of Loans Above the Recommended Ceiling	The Honourable Member, Mr. Emmanuel Changawa is now paying previous loan on top of the current loan over and above his new term loan. He is being deducted Kshs 132,096 monthly instead of Kshs. 99,099.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Failure to Prepare Separate Financial Statements	County Assembly of Kilifi has now separated the 2023/2024 financial statements. They consist of Staff Loan Mortgage Scheme and MCA Car and Mortgage Loan Scheme Fund.	Resolved	
5	Lack of Enabling Act for the Fund	The County Assembly of Kilifi is consulting on if it is to prepare a separate Act other than the PFM Act 2012 which was relied on during the preparation of the County Assembly Regulations.	Unresolved	31 st Dec, 2024
6	Lack of Term for Loans Committee Members	The Kilifi County Assembly Staff Mortgage Committee Regulations 2015 clause 6 (1) stipulates the officers in the Loan Management Committee as being the Deputy Clerk, Director of Legal Services, head of Department of procurement, Director of Finance, Secretary to the Committee as an ex-officio member. Clause 6 (2) states the "The Clerk of Assembly and Officer	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		administering the Fund shall nominate an officer to be the Secretary of the Committee.		

Guidance Notes:

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

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



CPA. Michael Bidii Ngala

Accounting Officer

Date.....