

REPUBLIC OF KENYA

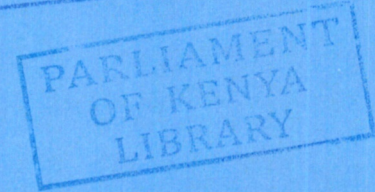


Enhancing Accountability

	PAPERS LAID
DATE	31/06/2023
TABLED BY	Majority Leader.
COMMITTEE	-
CLERK AT THE TABLE	Chania

REPORT

OF



THE AUDITOR-GENERAL

ON

**COUNTY ASSEMBLY OF ISIOLO STAFF
MORTGAGE SCHEME FUND**

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



COUNTY ASSEMBLY OF ISIOLO STAFF

MORGAGE SCHEME FUND

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Fund Information and Management

a) Background information

The County Assembly has an existing Staff Mortgage Scheme Fund established pursuant to the guidelines of the Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016.

All staff of the County Assembly are eligible for the mortgage scheme for acquisition of building or purchasing a residential house.

b) Principal Activities

The principal activity of the Fund is to lend to members the scheme loans i.e. Mortgage. This function includes receiving of applications, appraisal of applications, committee decision, disbursement of loans, recoveries of advanced monies, monitoring and evaluation of fund performance, enforce compliance, undertake loan clearance when due, and prepare reports as required.

c) Vision

To be vibrant fund that enables its members and increase growth within its membership.

d) Mission

To provide our members with superior ownership experience through innovative, affordable, and competitive Mortgage products that fulfils the dream of home.

e) Core Objectives

The objectives of the Scheme are to provide mortgage scheme for staff of the County Assembly purchase of an existing residential property; purchase of land and construction, Renovation and improvement of an existing residential property, takeover of loans on existing mortgages or equity release.

County Assembly of Isiolo Staff Mortgage Scheme Fund
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f) Fund Administration Committee

Ref	Name	Position
1	Majority Leader – Issack Fayo	Chairman
2	Minority Leader – Abdi Sora	Member
3	Salad Boru Guracha	Member
4	Issadin Muktar	Member

g) Key Management

Ref	Name	Position
1.	Salad Boru Guracha	Clerk/Secretary (CASB)
2.	Issadin Muktar	Principal Accountant
3.	Rahima Atikiya	Principal Finance
4.	Hadija Yussuf	Principal Auditor

h) Fiduciary Oversight Arrangements

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

- Audit and finance committee activities
- County Assembly's Public Accounts committee

i) Assembly Headquarters

P.O. Box 195 - 60300
County Assembly Building
Isiolo, KENYA

j) Assembly Contacts

Telephone:(254) 0719574394

E-mail: clerkisiolo@gmail.com.

Website: www.isiolo.go.ke

k) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. National Bank of Kenya
Isiolo Branch
P.O BOX 72866-00200 Nairobi

l) Independent Auditors

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

County Assembly of Isiolo Staff Mortgage Scheme Fund
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m) Principal Legal Adviser

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

2. Forward by The Clerk of The Assembly

The Isiolo County Assembly Mortgage Scheme Fund was established in the financial year 2015/2016. An amount of Kshs. 22,000,000 was set aside as a revolving fund

Value for Money

Isiolo County Assembly Mortgage scheme funds were utilized in accordance with the provisions of Public Finance Management Act 2012 and the purpose for which they were intended for.

Progress Loan Disbursement

During the financial year 2021/2022 the County Assembly recovered Kshs. 9,544,745.10 from members and staff of county assembly.

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

3. Management Information on operation of the mortgage fund

The fund is generally performing well, further during the year under review the fund earned an interest of Kshs 480,097.

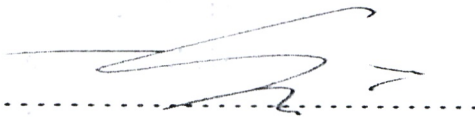
The mortgage committee trains during the year but due to time constraints they were not able to proceed for any training. Given that it was an electioneering period.

During the year under review Kshs. 6,000,000 was disbursed to two members of the scheme fund.

The financial statements show a comparison between the previous year 2020-2021 and the current year 2021-2022 for the interest and principal (Current portion of long-term receivables)

3.1. Fund Chairperson's Report

- The Mortgage Scheme is of great benefit to the staff of the County Assembly as it provided ready access to mortgage loan. During the fiscal year 2021/22, Kshs. 6,000,000 was disbursed and recoveries from initial borrowings.
- The fund is generally performing well given the timely recoveries of loans through the IPPD system. The system in itself safeguards the loan by way of priority deduction hence unlikely chance of default arising from affordability problems associated with salaries. As at the end of June 2022,
- The committee remains steadfast to enhance the fund so that it incorporates the request by staff of the County Assembly wishing to be granted similar benefits as already guided by Salaries and Remuneration Commission. Also, if funds allow, the committee is looking forward to participate in a selected community social responsibility with a view to have impact on the society.



A handwritten signature in black ink, appearing to read 'Issack Fayo', is written over a horizontal dashed line.

Name: Issack Fayo

Fund Management Committee Chairperson

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

4. Report of The Fund Administrator

Am obliged to forward the County Assembly of Isiolo Staff Mortgage Scheme Fund Annual Report and Financial Statements for the year ended June 30, 2022.

The report is prepared pursuant to corporate principle which grants the Committee responsibility to prepare and present for accountability, a report of its operations for the financial year 2021/2022. The report covers the activities of the Committee as far as loan disbursement and recoveries are concerned.

The Committee has managed the scheme in a prudent manner and ensured prompt recovery of the advanced loans. The loan disbursement during the year 2021-2022 was Kshs. 6,000,000

The loans were disbursed procedurally, nevertheless, I recommend to the committee to establish a comprehensive guideline on effective loan management elaborating on loan cycles, responsibilities, documentation and required reports among others. Such guide will help the members of the committee to quickly refer on a matter of interest and consequently make informed decisions. Whereas it may be important to embrace the spirit of flexibility, I urge the committee to earnestly pursue full compliance with the provisions of the Scheme Regulations in any future loan management so as to ensure critical securities are bolstered.

Finally, may I also thank the County Assembly loan management committee for not only considering and approving regulations for staff mortgage scheme but also mobilizing the funds for this scheme.



**Name: Salad Boru Guracha
Fund Administrator**

5. Statement of Performance Against the County Fund’s Predetermined Objectives

Guidance

The fund took over from the car and mortgage funds for the members of the county assembly through the amendments to the public finance management regulations. Challenges for post COVID effects are slowly being overcome and the economy is on recovery stage.

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 Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund’s performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for 2021/2025 are to:

- a) Provide Mortgage loans to staff
- b) Recover monthly repayments through the salaries of the staff
- c) Generate interest for the purposes of running fund administration costs.

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 funds	To ensure staff members have access to housing facility and appropriate accommodation.	Two staff were issued with loans	Acquired house.	In FY 21/22 we increased mortgage base.

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Loan repayments	Facilitate revolving funds nature.	Money received as deducted in IPPD	The Mortgage fund is afloat	There were no outstanding loan arrears
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6. Corporate Governance Statement

The Loans management committee deliberates through meetings on the operational activities of the fund.

In this regard, the Loans management committee have held 3 sittings to discuss and approve Mortgage loans and assess various loan recoveries among other agendas. The scheme regulations approved by the County Assembly has provided elaborate ways of establishing a committee with defined membership consisting of the Leader of majority (Chairperson), Leader of Minority, two other members and the Clerk of the County Assembly. The outlined position holders are by default members of the committee.

The fundamental role of the committee is to manage loans with respect to approvals. This mandate ranges from receiving applications, appraisal of applications and ultimate consideration of applications based on its merits.

As prescribed by the SRC, the committee members are granted sitting allowances for every sitting they hold. The sitting is regulated by a quorum and usually payment is dictated by attendance of the members.

The committee activities in terms of fund expenditure by way of loan disbursements, training facilitation or sitting allowances are all subject to government audit. The records of loans and bank statements are subjected to audit every end of financial year. This undertaking is primarily embraced not only because it is a statutory requirement but also to ensure financial accountability of the committee.

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

7. Management Discussion and Analysis

The fund performing as expected, further during the year under review the fund earned an interest of Kshs 480,097.

The loan receivables decreased from Kshs. 18,564,815 to Kshs. 14,946,882 through prompt loan repayments.

During the year under review Kshs. 6,000,000 loans were disbursed.

The following table shows a comparison between the previous year 2020-2021 and the current year 2021-2022 for the interest and principal (Current portion of long-term receivables)

S/NO	DESCRIPTION	FY20-21	FY21-22
1.	Interest	188,945	480,097
2.	long term receivables	18,564,815	14,946,882

8. Environmental and Sustainability Reporting

Isiolo County Assembly has made various sustainable efforts that focus on service delivery to the citizen. The strategic area of focus for service delivery includes but not limited to Legislative Services, Oversight Role, Committee Services, Staff Management and development, Physical infrastructure development, Financial Resource Management, Application of ICT in all our processes.

1. Sustainability strategy and profile -

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

2. Environmental performance

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

3. Employee welfare

The fund is domiciled at the County Assembly and uses the staff of the county assembly on a secondment basis to provide services for the operationalisation of the fund based on policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Efforts are being made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

a) Responsible competition practice.

The fund is in outright clear adherence with the provisions of the constitution and all other laws which among other things are responsible competition practices with

issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

- b) Responsible Supply chain and supplier relations, maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices
- d) Product stewardship- outline efforts to safeguard consumer rights and interests.

5. Community Engagements-

The organisation has CSR activities carried out in the year and the impact to the society on areas related to education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

9. Report of The Trustees

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

8.1 Principal activities

The principal activity of the Fund is to lend to members the scheme Mortgage. This function includes receiving of applications, appraisal of applications, committee decision, disbursement of loans, recoveries of advanced monies, monitoring and evaluation of fund performance, enforce compliance, undertake loan clearance when due, and prepare reports as required.

8.2 Performance

The performance of the Fund for the year ended June 30, 2022, are set out on page 1-38

8.3 Fund Administration Committee

The members of the Fund Administration Committee who served during the year are shown on page are as shown below:

Ref	Name	Position
1	Majority Leader – Issack Fayo	Chairman
2	Minority Leader – Abdi Sora	Member
3	Salad Boru Guracha	Member
4	Issadin Muktar	Member

8.4 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, for the year/period ended June 30, 2022.

By Order of the Board



Chair of the Fund Administration Committee

Date: 09th December 2022

10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Assembly of Isiolo staff mortgage scheme 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 Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016. The Administrator of the County Assembly of Isiolo staff mortgage scheme fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Assembly of Isiolo staff mortgage scheme fund has assessed the Fund's ability to continue as a going concern and disclosed,

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

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 9th December 2022 and signed on its behalf by:



.....

Administrator of the County Assembly of Isiolo staff mortgage scheme fund

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Note	2021/2022	2020/2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	1	0	38,000,000
		0	38,000,000
Revenue from exchange transactions			
Interest income	2	480,097	188,945
		480,097	188,945
Total revenue		480,097	38,188,945
Expenses			
Fund administration expenses	3	70,801	472,260
General expenses			38,015,340
Total expenses		70,801	38,487,600
Other gains/losses			
Surplus/(deficit) for the period		409,296	(298,654)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Assembly financial statements were approved on September 29th, 2022 and signed by:



Fund Administrator.

Name: Salad Boru Guracha



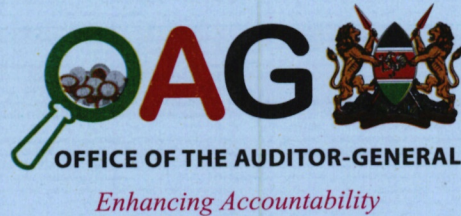
Fund Accountant

Name: Rahima Atikiya Sora

ICPAK Member Number: 30858

REPUBLIC OF KENYA

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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 COUNTY ASSEMBLY OF ISIOLO STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of County Assembly of Isiolo Staff Mortgage Scheme Fund set out on pages 1 to 35, which comprise the statement of financial position as at 30 June 2022, 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 County Assembly of Isiolo Staff Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016.

Basis for Qualified Opinion

1.0 Unsupported Balances

1.1 Long-Term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 6 to the financial statements reflects Kshs.14,946,882 in respect of long-term receivables from exchange transactions. However, supporting schedules reflects Kshs.13,667,505 resulting to unexplained and unreconciled variance of Kshs.1,279,377.

1.2 Principal Loan Repayments

Further, the statement of cash flows for the year reflects Kshs.5,890,797 in respect of principal loan repayments while the supporting schedules provided for audit reflect Kshs.11,013,877 resulting to unreconciled and explained variance of Kshs.5,123,080.

In the circumstances, the accuracy of long-term receivables from exchange transactions and principal loan repayment balances could not be confirmed.

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

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance - Expenditure Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects total budgeted expenditure of Kshs.480,097 and actual expenditure of Kshs.70,801 resulting to under expenditure of Kshs.409,296 or 85% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2.0 Prior Year Unresolved Issues

In the report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Control, Risk Management and Governance. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 March, 2023

County Assembly of Isiolo Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

13. Statement of Financial Position as at 30 June 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	5	8,060,265	4,142,238
		8,060,265	4,142,238
Non-current assets			
Long term receivables from exchange transactions	6	14,946,882	18,564,815
		14,946,882	18,564,815
Total assets		23,007,147	22,707,054
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	7	0	109,203
Total liabilities		0	109,203
Net assets		23,007,147	
Revolving Fund		22,124,495	22,124,495
Accumulated surplus		882,652	473,356
Total net assets and liabilities		23,007,147	22,707,054



Fund Administrator.
Name: Salad Boru Guracha



Fund Accountant
Name: Rahima Atikiya Sora
ICPAK Member Number: 30858


County Assembly of Isiolo Staff Mortgage Scheme Fund
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14. Statement of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Accumulated surplus	Total
		Kshs	Kshs
Balance as at 1 July 2020	22,124,495	772,010	22,896,505
Surplus/(deficit) for the period		(298,654)	(298,654)
Balance as at 30 June 2021	22,124,495	473,356	22,597,851
Balance as at 1 July 2021	22,124,495	473,356	22,597,851
Surplus/(deficit) for the period		409,296	409,296
Balance as at 30 June 2022	22,124,495	882,652	23,007,147



Fund Administrator.
Name: Salad Boru Guracha



Fund Accountant
Name: Rahima Atikiya Sora
ICPAK Member Number: 30858

County Assembly of Isiolo Staff Mortgage Scheme Fund
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15. Statement of Cash Flows for The Year Ended 30 June 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
Cash flows from operating activities			
Transfers from the County Government	1	0	38,000,000
Interest received	2	480,097	188,945
Total Receipts		480,097	38,188,945
Payments			
Fund administration expenses	3	70,801	472,260
General expenses	4	0	38,015,340
Total Payments		70,801	38,487,600
Operating activities		409,296	(298,654)
Cash flows from investing activities			
Adjusted for Decrease in Receivables from exchange transactions.		3,617,933	
Net cash flows from operating activities		4,027,229	
Principal Loan Repayments.	7	5,890,797	109,203
Long term receivables from exchange transactions	6		18,564,815
Loan disbursements paid out		(6,000,000)	(14,073,500)
Net cash flows used in investing activities		(109,203)	(4,231,271)
Net increase/(decrease) in cash and cash equivalents		3,918,026	(4,529,925)
Cash and cash equivalents at 1 JULY	5	4,142,239	8,672,164
Cash and cash equivalents at 30 JUNE		8,060,265	4,142,239



Fund Administrator.
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Fund Accountant
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ICPAK Member Number: 30858

**County Assembly of Isiolo Staff Mortgage Scheme Fund
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16. Statement of Comparison of Budget and Actual Amounts for The Period

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis		% of utilization difference to final budget
	Kshs	Kshs	Kshs	Kshs		Kshs
RECEIPTS						
Interest on Loan	480,097		480,097	480,097		100%
Other Receipt						
TOTAL	480,097		480,097	480,097		100%
PAYMENTS						
Administration Costs	480,097		480,097	70,801	409,296	15%
Bank Charges						
TOTAL	480,097		480,097	70,801	409,296	100%
				409,296		



Fund Administrator.
Name: Salad Boru Guracha



Fund Accountant
Name: Rahima Atikiya Sora
ICPAK Member Number: 30858

Budget notes

- Administration costs budgeted for Kshs. 480,097 was not actualised due to low activities in the fund activities*
- There were no changes between original and final budget.*

17. Notes to the Financial Statements

1. General Information

County Assembly of Isiolo Staff Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016. The Fund is wholly owned by the County Assembly of Isiolo and is domiciled in Kenya. The Fund's principal activity is led mortgage loans.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

Standard	Effective date and impact:
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</p>

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Standard	Effective date and impact:
	<p>and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund 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> <p>(a) The nature of such social benefits provided by the Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>

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Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that</p>

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Standard	Effective date and impact:
	<p>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 Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</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 to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

18. 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 Fund and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly. 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 Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of on the FY 2021-2022 budget following the governing body's approval.

The Fund'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

County Assembly of Isiolo Staff Mortgage Scheme Fund
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comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund 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) Financial instruments

Financial assets

Initial recognition and measurement

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

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Loans and receivables

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

Summary of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

County Assembly of Isiolo Staff Mortgage Scheme Fund
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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

Summary of Significant Accounting Policies (Continued)

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 Fund.

g) Provisions

Provisions are recognized when the Fund 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.

County Assembly of Isiolo Staff Mortgage Scheme Fund
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Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Summary of Significant Accounting Policies (Continued)

Contingent assets

The Fund 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 Fund 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.

h) Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

i) Employee benefits – Retirement benefit plans

The Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Fund pays fixed contributions into a separate Fund (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

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contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

j) Foreign currency transactions

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

Summary of Significant Accounting Policies (Continued)

k) 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.

l) Related parties

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

m) 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.

n) Comparative figures

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

o) Events after the reporting period

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

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p) Ultimate and Holding Fund

The Fund is a County Public Fund established by Public Finance Management (County Assembly of Isiolo Staff Mortgage Scheme Fund) Regulations, 2016 under the County Assembly of Isiolo. Its ultimate parent is the County Assembly of Isiolo.

q) Currency

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Fund 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 Fund. 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 Fund
- 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.

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19. Notes to The Financial Statements

1. Transfers from County Government

Description	2021/2022	2020/2021
	Kshs	Kshs
Transfers from County Govt. – operations		
Car Grant from County Government of Isiolo	0	38,000,000.00
Total	0	38,000,000.00

2. Interest income

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest income from Mortgage loans	480,097	188,945
Total interest income	480,097	188,945

3. Fund administration expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Administration fees	70,801	472,260
Total	70,801	472,260

4.. General expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Bank Charges	0	15,340
Mortgage Disbursed	0	38,000,000
Total	0	38,015,340

5. Cash and cash equivalents

Description	2021/2022	2020/2021
	Kshs	Kshs
Car loan account	0	70,320
County mortgage account	8,060,264.55	4,072,638
Total cash and cash equivalents	8,060,264.55	4,142,958

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

Financial institution	2021/2022	2020/2021
	Kshs	Kshs
c) Current account		
National Bank of Kenya	0	70,320
Co-operative Bank	8,060,264.55	4,072,638
Grand total	8,060,264.55	4,142,958

6. Receivables from exchange transactions

Description	2021/2022	2020/2021
	Kshs	Kshs
Non-Current receivables		
Long term loan repayments due	14,946,882	18,564,815
Total receivables from exchange transactions	14,946,882	18,564,815

7 Trade and other payables from exchange transactions

	2021/2022	2020/2021
	Kshs	Kshs
Other payables (Advance Deductions)	0	109,203
Total trade and other payables	0	109,203

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Notes to The Financial Statements (Continued)

8. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	409,296	298,654
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses on Disposal of Assets	(-)	(-)
Interest Income	480,097	188,945
Finance Cost	-	-
Working Capital Adjustments		
Increase in Inventory	(-)	(-)
Increase in Receivables	3,617,933	(-)
Increase in Payables	-	-
Net Cash Flow from Operating Activities	4,027,229	-

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

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Other Disclosures

9. 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 Assembly
- b) Key management;
- c) Board of Trustees; etc.

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers from Related Parties'	-	-
Transfers to Related Parties	-	-

c) Key management remuneration

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

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d) Due from related parties

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

Other Disclosures Continued

10. 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, considering 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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				

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Receivables from Exchange Transactions	-	-	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables from Exchange Transactions	-	-	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

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

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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

b) Liquidity risk management

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

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

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

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and

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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 Fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

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

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

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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.

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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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.

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Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs - (2022: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2021 – Kshs -)

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 Fund capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%


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20. Progress on Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Presentation of financial statements	Financial statements amended	Fund Administrator	Not resolved	
1.2	Variances between F.S & Comparative balances	Financial statements amended	Fund Administrator	Not resolved	
1.3	Cash & Cash equivalents	Reconciliations prepared	Fund Administrator	Not resolved	
1.4	Inaccuracy in statement of budget comparison	Financial statements amended	Fund Administrator	Not resolved	
1.5	Inaccuracy of cashflow	Financial statements amended	Fund Administrator	Not resolved	
1.6	Unsecured Loans	Follow up made on security	Fund Administrator	Not resolved	
1.7	Unbalanced budget	Financial statements amended	Fund Administrator	Not resolved	
1.8	Risk Management policy	Financial statements amended	Fund Administrator	Not resolved	

Fund administrator

Sign... 

Date..... 09th December 2022.....