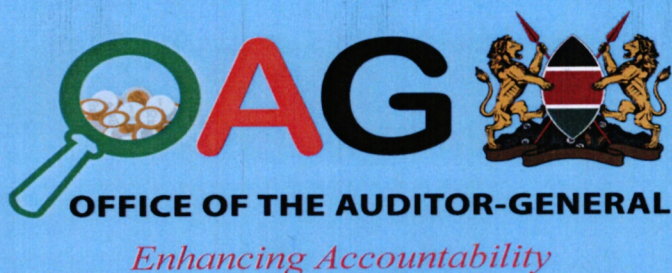
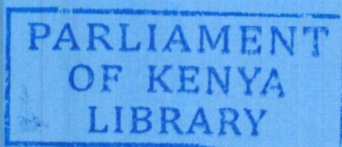


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**COUNTY GOVERNMENT OF MARSABIT
MORTGAGE FUND**

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

PAPERS LAID	
DATE	23.03.2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Abdirahman Maalim .



OFFICE OF THE AUDITOR GENERAL
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**COUNTY GOVERNMENT OF MARSABIT
MORTGAGE FUND.**

ANNUAL REPORT AND FINANCIAL STATEMENTS

:

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022**

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

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

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**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

County Government of Marsabit Mortgage Fund is established by and derives its authority and accountability from Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015. The Fund is wholly owned by the County Government of Marsabit and is domiciled in Kenya.

The fund's objective is to provide house mortgage to members.

The Fund's principal activity is providing house mortgage to members.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide house mortgage to members.

c) Fund Administration Committee

Ref	Position	Name
1	CEC Member – Finance and Economic Planning Department	MR. MALICHA BORU
2	Chief Officer	MR. MUKTAR INTALLO
3	Chief Officer finance	MR. WARIO JIRMO
4	Committee Member	MISS FATUMA OMAR
5	Fund Manager/ Administrator	CPA SIMON SIBILET KHOBES

d) Key Management

Ref	Position	Name
1	Chief Officer finance	MR. WARIO JIRMO
2	Fund Manager/ Administrator	CPA SIMON SIBILET KHOBES
3	Fund Accountant	HUSSEIN ROB BOYE

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
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e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	CEC Member – Finance and Economic Planning Department	MR. MALICHA BORU
2	Chief Officer - Administration	MR. MUKTAR INTALLO
3	Chief Officer - Finance	MR. WARIO JIRMO
4	Chief Officer - Finance	MISS FATUMA OMAR
5	Fund Manager/ Administrator	CPA SIMON SIBILET KHOBES

f) Registered Offices

P.O. Box 384-60500
Marsabit County Headquarter Building
Treasury Office
Marsabit, KENYA

g) Fund Contacts

Telephone: (254) 710685301
E-mail: simonkhobes@marsabit.go.ke
Website: www.marsabit.go.ke

h) Fund Bankers

Marsabit County Mortgage Scheme Fund
BANK: Equity Bank
Branch: Marsabit
Account No. 1010268149700

i) Independent Auditors

Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

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

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

2. THE FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
1. MR. MALICHA BORU	CEC – Finance and Economic Planning
2. MR. MUKTAR INTALLO	Chief Officer
3. MR. WARIO JIRMO	Chief Officer finance
4. MISS FATUMA OMAR	Committee Member
5. CPA SIMON SIBILET KHOBES	Fund Manager/ Administrator

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
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3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

Introduction

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

The key development objectives of the County Government of Marsabit Mortgage Fund Scheme are to:

- a) Provide quality physical infrastructure in the County executive.
- b) Obtain funds from the County Executive
- c) Create a revolving fund.
- d) Formulate a criterion for award of loans
- e) Manage loaned account
- f) Recover the loan amount as well as interest

**Progress on attainment of Strategic development objectives (Adopted from Marsabit County-
Customize as per specific county,**

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Obtaining of budgetary allocation	To obtain enough funds sufficient to give out house loans	There have been budget constraint	No additional capita was obtained	Nil
Create a revolving fund	Create an institution of lending and recovery	Processes are in place and active	Financial statements account and ledgers	Active loans

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Chief Officer finance	MR. WARJO JIRMO
2. Fund Manager/ Administrator	CPA SIMON SIBILET KHOBES
3. Fund Accountant	HUSSEIN ROB BOYE
4.	
5.	
<i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i>	

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Mortgage fund has over the years made remarkable progress in its core business of generating and disbursing of funds to its members, through prudent financial management.

During the year under review, the Fund did not issue new loans since all the beneficiaries has mortgage loans running.

The Fund strives to build on its success legacy, through good governance, to provide housing solutions to its members, in a conducive environment that provides favourable progress and experiences.

Funding by the County Government of Marsabit.

The fund is running on a capital base of Kshs. 81,000,000 given earlier from the county government.

This was a great support; without which we could not have realized the great milestones achieved.

The year under review was however a challenging period for the fund. Various factors affected our operating environment adversely and overshadowed the planned developments in our business due to the effects of Covid 19 and changes in the political environment which hampered repayment ability of some of our members.

Key activities during the financial year under review

The following are the key activities that took place during the FY 2021/2022

- i. The fund recovered loan principal amounting Kshs. 18,381,466.99
- ii. The fund generated Interest income of Kshs. 1,134,893.16
- iii. The overall surplus amounted to Kshs. 100,533.16

Key Challenges

The following are the main challenges faced by the Mortgage Fund Scheme during the year under review:

- i. The effects of Covid 19 and changes in the political environment which hampered repayment ability of some of our members.
- ii. Changes in financial, social and technological environments which affect the Mortgage Fund Scheme in general, with capital requirements.

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

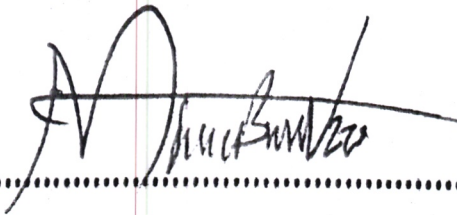
iii Escalating cost of operation against decreasing Government funding.

Future outlook

The Mortgage Fund Scheme intends to formulate a Strategic Plan, clearly stipulates the aspirations of the Fund in the realization of Kenya Vision 2030 and the Big Four Agenda. Implementation of the Strategic Plan will see the Fund achieve: financial stability, long term sustainability, enhanced infrastructure, governance, partnerships and increased collaborations.

Appreciation

I wish to express my sincere appreciation to the County Government of Marsabit through the Finance Department, for the support accorded to the Fund during the year under review.



.....
Mr. Malicha Boru
CEC Member – Finance and Economic Planning

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

6. REPORT OF THE FUND ADMINISTRATOR

The fund is fairly small operating on the initial capital from the county government and below were the key deliverables.

- iv. The fund recovered loan principal amounting Kshs. 18,381,466.99
- v. The fund generated Interest income of Kshs. 1,134,893.16
- vi. The overall surplus amounted to Kshs. 100,533.16

Signed:



CPA SIMON SIBILET KHOBES

Fund Administrator

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

7. CORPORATE GOVERNANCE STATEMENT

(i) Roles and functions

The Mortgage Fund Administration Committee is at the centre of good governance practice, for protection of long-term interests of all the stakeholders of the Mortgage Fund. The Fund Administration Committee provides leadership, oversight to management, integrity and good judgment in directing Mortgage Fund operations in the best interest of the stakeholders for continued viability and sustainability. The Mortgage Fund Administration Committee is vested with powers and authority by relevant laws of Kenya, to discharge its mandate, and to effectively fulfil its corporate governance responsibility towards stakeholders. The Mortgage Fund Administration Committee ensures adoption of corporate governance best practices in support of the Mortgage Fund vision and to provide world-class services that delight customers, create value for money and meet stakeholders' expectations.

(ii) Appointment

The Fund Administration Committee served at the Mortgage Fund during the year under review was appointed by the PFM Mortgage Regulations, 2015.

(iii) Induction and capacity building for Fund Administration Committee members

Members of the Fund Administration Committee regularly attend trainings on corporate governance and other relevant fields, to equip them with the knowledge that is required to effectively discharge their responsibilities.

(iv) Succession planning of the Mortgage Fund Administration Committee

Mortgage Fund Administration Committee has reliable mechanisms for developing skills of the Fund Administration Committee members, to ensure seamless continuity of the Mortgage Fund business in the event some members leave the Mortgage Fund. All members are prepared to assume different roles, to make them effective in various positions. Mortgage Fund Mortgage Fund business through committees. As part of succession planning, Fund Administration Committee members are assigned more than one committee, to expose them to various operations of the Mortgage Fund.

(v) Meetings of the Mortgage Fund Administration Committee

Dates for Mortgage Fund Administration Committee meetings in the ensuing year are decided in advance and scheduled in an annual work plan. The Fund Administration Committee holds its regular meetings on

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

quarterly basis to transact planned business of the Mortgage Fund. However, special meetings of the Fund Administration Committee may be called when there is significant business to transact.

(vi) Conflict of interest

As a routine, "Conflict of interest" appears as an item in the agenda of each Mortgage Fund Administration Committee meeting. The Fund Administration Committee has a conflict of interest register for recording any declared conflict of interest. Each Fund Administration Committee member indicates by signing, whether they are conflicted in any way. A conflicted member takes leave during deliberations of any issues that may lead to conflict of interest.

(vii) Remuneration of Mortgage Fund Administration Committee

Fund Administration Committee members are entitled to sitting allowance for every meeting attended. Each member also receives lunch allowance.

(i) Ethical standards

Mortgage Fund Administration Committee is committed to ensuring that members of the Mortgage Fund Management and all employees, conduct themselves with integrity and professionalism in accordance with the approved Staff Code of Conduct, and holds them individually accountable for their conduct.

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

8. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Funding from the County Government of Marsabit

The main source of Mortgage Fund revenues is the grants that come from the County Government of Marsabit, in form of additional capital. To supplement the grants, the Mortgage Fund also generates revenues internally, from sources such as interest on loans advanced. During the FY 2021/2022, the Mortgage Fund received a total of KES 1,134,893.16 interest income and no additional funding from the County Government of Marsabit.

(b) Expenses for the year

Expenditure for the year increased from KES 178,740. to KES 1,034,360

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

d) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

ADH

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

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

10.1 Principal activities

The principal activities of the Fund are creating a revolving fund, provide housing loans and manage the loan account of members.

10.2 Performance

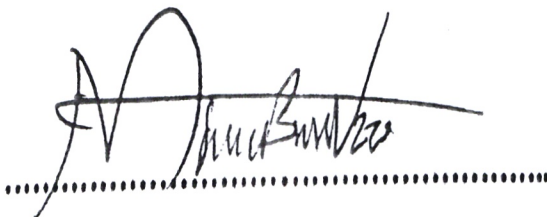
The performance of the Fund for the year ended June 30, 2022, are set out on page 20 to 57

10.3 Trustees

The members of the Fund Administration Committee who served during the year are shown on page two (2). There were no changes in the Fund Administration Committee during the financial year.

10.4 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.



.....

Name: Mr. Malicha Boru

CEC - Member Finance and Economic Planning

Date: 30.9.22

**County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022**

11. 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 (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015 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 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 Public Finance Management (Marsabit County Executive Mortgage Scheme Fund) Regulations, 2015. 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, 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.

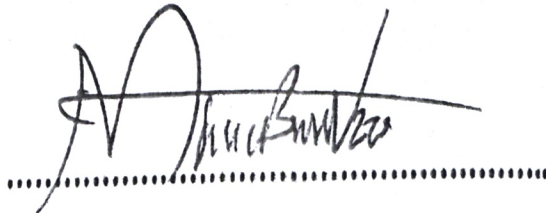
County Government of Marsabit Mortgage Fund Scheme
Reports and Financial Statements
For the year ended June 30, 2022

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

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

Approval of the financial statements

The Fund's financial statements were approved on _____ 30.9 _____ 2022 and signed on;



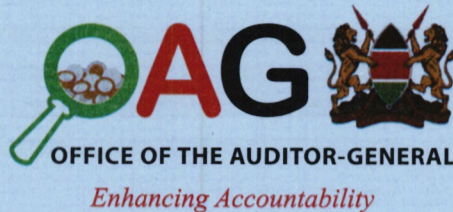
.....

Name: Mr. Malicha Boru

CEC - Member Finance and Economic Planning

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COUNTY GOVERNMENT OF MARSABIT MORTGAGE 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

Opinion

I have audited the accompanying financial statements of County Government of Marsabit Mortgage Fund set out on pages 21 to 56, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of

Report of the Auditor-General on County Government of Marsabit Mortgage Fund for the year ended 30 June, 2022

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, the financial statements present fairly, in all material respects, the financial position of County Government of Marsabit Mortgage 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 (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 and the Public Finance Management Act, 2012.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the County Government of Marsabit Mortgage 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 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 reflects total budgeted expenditure of Kshs.1,134,893 and actual expenditure of Kshs.1,034,360 resulting to under absorption of Kshs.100,533 or approximately 9% on general expenses

The budget under expenditure of Kshs.100,533 may have negatively affected services planned for but not delivered to the residents of Marsabit County.

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, although the Management has indicated that some of the issues have been resolved, the matters remained unresolved as the Senate and County Assembly are yet to deliberate on the Report for 2020/2021.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Failure to Charge the Mortgaged Properties

Note 11 to the financial statements reflect Kshs.72,925,249.95 in respect of long-term loan repayments due being funds advanced to mortgage scheme members to acquire property. However, the loan management committee did not provide evidence that the title deeds of properties financed through the mortgage scheme have been charged contrary to Regulation 16 of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which requires that ownership deeds of properties financed through the mortgage fund be charged. This exposes the Fund to liability as the beneficiaries are at liberty to re-mortgage, sell or part with the property without the prior written consent of the Committee.

In addition, the project file did not contain the architectural designs, progress inspection reports and reports showing that the properties were used for residential purpose only contrary to Regulation 17(2) of the Public Finance (Marsabit County State Officers and Other Public Officers Mortgage Scheme Fund) Regulations, 2015 which states that 'the originals of all the documents relating to the property financed by a mortgage from the Fund shall be kept in a safe custody by the officer administering the Fund'.

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

2.0 Unremitted Monthly Loan Repayments

Note 11 to the financial statements reflects Kshs.152,012 and Kshs.10,390,222 in respect of current loan repayment due and other exchange debtors all totalling Kshs.10,542,234. However, information available indicates that the County Executive did not remit mortgage loan deductions totalling Kshs.10,390,222 to the Mortgage Fund contrary to Section 19(4) of Employment Act which provides that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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

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, except for 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 overall governance were not effective.

Basis for Conclusion

Long Outstanding Mortgage Loans

Note 11 to the financial statements reflect Kshs.72,925,249.95 in respect of long-term repayments due. Included in this balance is Kshs.23,026,189 relating to outstanding loans being held by thirteen (13) members which have not been serviced for periods ranging between 4 and 60 months and there is no evidence to show that the loan management committee is taking measures to recover the outstanding debt of Kshs.23,026,189.

In the circumstance, the recoverability of the overdue amount remains in doubt and the continuity of the revolving fund may not be guaranteed.

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 the Management is aware of intentions to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

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

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

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

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

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

Nairobi

23 February, 2023

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13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2022.

	Note	2021/2022	2020/2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1		
Transfers from the County Government	2		
Fines, penalties and other levies	3		
Revenue from exchange transactions			
Interest income	4	1,134,893.16	1,171,009.5
Other income	5		
		1,134,893.16	1,171,009.5
Total revenue		1,134,893.16	1,171,009.5
Expenses			
Fund administration expenses	6		
General expenses	7	1,034,360.00	178,740
Finance costs	8		
Total expenses		1,034,360.00	178,740
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		100,533.16	992,269.5

The notes set out on pages 44 to 57 form an integral part of these Financial Statements.



CPA Simon Sibilet Khobes

Fund - Administrator



Hussein Rob Boye

Fund Accountant

ICPAK Member Number: 29375

County Government of Marsabit Mortgage Fund Scheme
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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	10	1,585,130.35	3,411,564
Current portion of long- term receivables from exchange transactions	11	152,012.00	152,012
Receivables from Non- exchange transactions	11	10,390,222.70	4,224,876
Prepayments	13		
Inventories	14		
		12,127,365.05	7,788,452
Non-current assets			
Long term receivables from exchange transactions	11	72,925,249.95	77,163,630
Property, plant and equipment	15		
Intangible assets	16		
Total assets		85,052,615	84,952,082
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17		
Provisions	18		
Current portion of borrowings	19		
Employee benefit obligations	20		
Non-current liabilities			
Long term portion of borrowings	19		
Non-current employee benefit obligation	20		
Total liabilities			
Net assets		85,052,615.00	84,952,082
Revolving Fund		81,000,000.00	81,000,000
Reserves			
Accumulated surplus		4,052,615.00	3,952,082
Total net assets and liabilities		85,052,615.00	84,952,082

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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 __30.9__ 2022 and signed by:



CPA Simon Sibilet Khobes

Fund - Administrator



Hussein Rob Boye

Fund Accountant

ICPAK Member Number: 29375

**County Government of Marsabit Mortgage Fund Scheme
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13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2020	81,000,000		2,959,812	83,959,812
Surplus/(deficit) for the period		-	992,270	992,270
Funds received during the year		-	-	-
Revaluation gain	-		-	-
Balance as at 30 June 2021	81,000,000		3,952,082	84,952,082
Balance as at 1 July 2021	81,000,000		3,952,082	84,952,082
Surplus/(deficit) for the period		-	100,533	100,533
Funds received during the year		-	-	-
Revaluation gain	-		-	-
Balance as at 30 June 2022	81,000,000		4,052,615	85,052,615

(Provide details on the nature and purpose of reserves)

**: Where its explicit in the Fund Regulations that interest earned should form part of the revolving fund, then this interest should be included in the statement of changes in net assets under this section and not part of interest income in the statement of financial performance.*



CPA Simon Sibilet Khobes
Fund - Administrator



Hussein Rob Boye
Fund Accountant
ICPAK Member Number: 29375

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government			
Interest received	4	1,134,893.16	1,171,010
Total Receipts		1,134,893.16	1,171,010
Payments			
Fund administration expenses			
General expenses	7	1,034,360.00	178,740
Finance cost			
Total Payments		1,034,360.00	178,740
Cash flows from operating activities		100,533.16	992,270
Adjusted for			
Receivables from Non- exchange transactions	11	-6,165,346.7	4,224,876
Long term receivables from exchange transactions	11	4,238,380.1	18,806,659
Net cash flows from operating activities		-1,826,433.44	(22,039,265)
Cash flows from investing activities			
Proceeds from loan principal repayments			
Loan disbursements paid out			
Net cash flows used in investing activities			
Cash flows from financing activities			
Additional borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(1,826,433.65)	(22,039,265)
Cash and cash equivalents at 1 July 21	10	3,411,564.00	25,450,829
Cash and cash equivalents at 30 June 22	10	1,585,130.35	3,411,564



CPA Simon Sibilet Khobes
Fund - Administrator



Hussein Rob Boye
Fund Accountant
ICPAK Member Number: 29375

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2022.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	
Public contributions and donations					
Transfers from County Govt.					
Interest income	1,134,893		1,134,893	1,134,893	100%
Other income					
Total income	1,134,893		1,134,893	1,134,893	
Expenses					
Fund administration expenses					
General expenses	1,134,893		1,134,893	1,034,360	100%
Finance cost					
Total expenditure	1,134,893		1,134,893	1,034,360	
Surplus for the period				100,533	100%

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
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.

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13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/ Amendments: Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.

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Standard	Effective date and impact:
	<i>(State the impact of the standard to the entity if relevant)</i>
Amendments to Other	Applicable: 1st January 2022:
IPSAS resulting from IPSAS 41, Financial Instruments	<p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. 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.

4. Budget information

The original budget for FY 2021/2022 was approved by the County Assembly on (Date). 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 Amount on (Date) the FY 2021/2022 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

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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.

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

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

5. 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.

6. 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.

7. Financial instruments

a) 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-

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maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

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 taking into account 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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity 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 taking into account 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity 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)

b) Financial liabilities

Initial recognition and measurement

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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 Entity determines the classification of its financial liabilities at initial recognition.

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 taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

8. 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.

9. 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.

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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.

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.

10. 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.*

11. 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.

12. 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.

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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.

13. 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.

14. 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.

15. 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/ Trustee, the Fund Managers and Fund Accountant.

16. 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 (*Remove if not applicable*) 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.

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17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by PFM Act Marsabit County Mortgage Regulations, 2015 under the Department of finance Its ultimate parent is the County Government of Marsabit

20. Currency

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

21. 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

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

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

c) Provisions

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

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

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

22. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position

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are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 2022				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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

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

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.

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b) Liquidity risk management

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

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

	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 entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

d) Foreign currency risk

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

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

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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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
2021			
Euro	10%		
USD	10%		
2020			
Euro	10%		
USD	10%		

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs (2021: Kshs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs (2020 – Kshs)

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f) Capital risk management

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

	2020/2021	2019/2020
	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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14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2021/2022	2020/2021
	Kshs	Kshs
Donation from development partners		
Contributions from the public		
Total		

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2021/2022	2020/2021
	Kshs	Kshs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		
Total		

3. Fines, penalties and other levies

Description	2021/2022	2020/2021
	Kshs	Kshs
Late payment penalties		
Fines		
Levies		
Licences		
Total		

(Provide brief explanation for this revenue)

4. Interest income

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest income from Mortgage loans	1,134,893.16	1,171,010
Interest income from investments		
Interest income on bank deposits		
Total interest income	1,134,893.16	1,171,010

(Provide brief explanation for this revenue)

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5. Other income

Description	2021/2022	2020/2021
	Kshs	Kshs
Insurance recoveries		
Income from sale of tender documents		
Miscellaneous income (specify)		
Total other income		

(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).

6. Fund administration expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Staff costs (Note 6a)		
Loan processing costs		
Professional services costs		
Administration fees		
Total		

6A. Staff costs

Description	2021/2022	2020/2021
	Kshs	Kshs
Salaries and wages		
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
Total		

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2021/2022	2020/2021
	Kshs	Kshs
Consumables		
Electricity and water expenses		
Fuel and oil costs		
Insurance costs		
Postage		
Printing and stationery		
Rental costs		
Security costs		
Telecommunication		
Other expenses	1,034,360.00	178,740
Hospitality		
Depreciation and amortization costs		
Other expenses		
Total	1,034,360.00	178,740

8. Finance costs

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest on Bank overdrafts		
Interest on loans from banks		
Total		

9. Gain/(loss) on disposal of assets

Description	2021/2022	2020/2021
	Kshs	Kshs
Property, plant and equipment		
Intangible assets		
Total		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2021/2022	2020/2021
	Kshs	Kshs
County mortgage account	1,585,130.35	3,411,564
Fixed deposits account		
On – call deposits		
Current account		
Others		
Total cash and cash equivalents	1,585,130.35	3,411,564

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

		2021/2022	2020/2021
Financial institution	Account number	Kshs	Kshs
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc	1010268149700	1,585,130.35	3,411,564
Sub- total		1,585,130.35	3,411,564
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank			
Bank B			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total		1,585,130.35	3,411,564

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 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

11. Receivables from exchange transactions

Description	2021/2022	2020/2021
	Kshs	Kshs
Current Receivables		
Interest receivable		
Current loan repayments due	152,012	152,012
Other exchange debtors	10,390,222.70	4,224,876
Less: impairment allowance		
Total Current receivables	10,542,234.70	4,376,888
Non-Current receivables		
Long term loan repayments due	72,925,249.95	77,163,630
Total Non- current receivables	72,925,249.95	77,163,630
Total receivables from exchange transactions	83,467,484.65	81,692,530

Additional disclosure on interest receivable

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year		
Current loan repayments due		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2021/2022	2020/2021
	Kshs	Kshs
Transfer from County Executive		
Receivables from transactions		
Total receivables from non-exchange transactions		

13. Prepayments

Description	2021/2022	2020/2021
	Kshs	Kshs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(specify)		
Total		

14. Inventories

Description	2021/2022	2020/2021
	Kshs	Kshs
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
Total inventories at the lower of cost and net realizable value		

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020					
Additions					
Disposals				-	
Transfers/adjustments					
At 30th June 2021					
At 1st July 2021					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2022					
Depreciation and impairment					
At 1st July 2020					
Depreciation					
Impairment					
At 30th June 2021					
At 1st July 2021					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2022					
Net book values					
At 30th June 2021					
At 30th June 2022					

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2021/2022	2020/2021
	Kshs	Kshs
Cost		
At beginning of the year		
Additions		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

17. Trade and other payables from exchange transactions

Description	2021/2022	2020/2021
	Kshs	Kshs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables		
Total trade and other payables		

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year (1.07.2020)				
Additional Provisions				
Provision utilised	()	()	()	()
Change due to discount and time value for money	()	()	()	()
Transfers from non -current provisions				
Balance at the end of the year (30.06.2021)				

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2021/2022	2020/2021
	Kshs	Kshs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period	()	()
Repayments of domestic borrowings during the period	()	()
Balance at end of the period		

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

	2021/2022	2020/2021
	Kshs	Kshs
External Borrowings		
Dollar denominated loan from 'organization'		
Sterling Pound denominated loan from organization'		
Euro denominated loan from organization'		
Domestic Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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

Description	2021/2022	2020/2021
	Kshs	Kshs
Short term borrowings (current portion)		
Long term borrowings		
Total		

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Current benefit obligation				
Non-current benefit obligation				
Total employee benefits obligation				

21. Cash generated from operations

	2021/2022	2020/2021
	Kshs	Kshs
Surplus/ (deficit) for the year before tax		992,270
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Interest income	(1,134,893.16)	(1,171,010)
Finance cost	1,034,360.00	178,740
Working Capital adjustments		
Increase in inventory		
Increase in receivables		(23,031,535)
Increase in payables		
Net cash flow from operating activities		

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

22. 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:

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- a) The County Government;
- b) The Parent County Government Ministry;
- c) County Assembly;
- d) Key management;
- e) 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		

d) Due from related parties

	2021/2022	2020/2021
	Kshs	Kshs
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
Total		

e) Due to related parties

	2021/2022	2020/2021
	Kshs	Kshs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Due to County Assembly		
Total		

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23. Contingent assets and contingent liabilities

Contingent liabilities	2021/2022	2020/2021
	Kshs	Kshs
Court case against the Fund		
Bank guarantees		
Total		

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15. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Paragraph 1	Failure to disclose receipts	Receipts are now available for review	Not Resolved	When County Assembly announce the sittings
Paragraph 2	Unreconciled cash and cash equivalent	Adjustments have been made into the financial records	Not resolved	When County Assembly announce the sittings
Paragraph 3	Budgetary control and performance	Future considerations to be made in the budget making process	Resolved	N/A
Paragraph 4	Unremitted Loan recoveries	County planning to disburse in near Future	Not yet Resolved	N/A
Paragraph 5	Long term receivables due	Efforts being made to recover the loans given.	Not Resolved	When County Assembly announce the sittings
Paragraph 6	Failure to charge the title deeds	Efforts being made to charge Title deeds	Not yet resolved	N/A

Guidance Notes:

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

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16. APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
Break down of Transfers from the County Executive of County Government				
	FY 2021/2022			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

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The above amounts have been communicated to and reconciled with the parent Ministry.



CPA Simon Sibilet Khobes
Fund - Administrator



Hussein Rob Boye
Fund Accountant
ICPAK Member Number: 29375



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CONFIDENTIAL

Date

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