

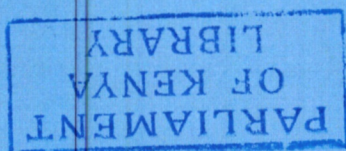
REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	02/05/2023
TABLED BY	DEPUTY SPEAKER WMP
COMMITTEE	_____
CLERK AT THE TABLE	MR INNOCENT MBAYA

OF



THE AUDITOR-GENERAL

ON



**VIHIGA COUNTY ASSEMBLY
MEMBERS AND STAFF MORTGAGE
AND CAR LOANS SCHEME FUND**

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

RECEIVED
FEB 10 1971
U.S. DEPARTMENT OF
THE ARMY



**VIHIGA COUNTY GOVERNMENT
VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF
MORTGAGE AND CAR LOANS SCHEME FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30034 - 00100, NAIROBI
REGISTRY

23 MAR 2023

RECEIVED



Table of Content

1. Key Entity Information and Management	iii
2. The Board of Management	v
3. Management Team	vi
5. Report of The Fund Administrator	ix
6. Statement of Performance Against the County Fund's Predetermined Objectives	xi
7. Corporate Governance Statement	xiv
8. Management Discussion and Analysis	xvi
9. Environmental and Sustainability Reporting	Error! Bookmark not defined.
10. Report of The Board of Management	xvii
11. Statement of Management's Responsibilities	xviii
12. Report of The Independent Auditor	xix
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position As At 30 June 2022	2
15. Statement Of Changes in Net Assets for the year ended 30 th June 2022	3
16. Statement Of Cash Flows For The Year Ended 30 June 2022	4
17. Statement Of Comparison Of Budget And Actual Amounts For The Period	6
18. Notes to the Financial Statements	7
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	33

1. Key Entity Information and Management

a) Background information

Vihiga County Assembly Members Mortgage and Car Loans Scheme Fund is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 and the VIHIGA COUNTY ASSEMBLY MEMBERS(CAR LOAN SCHEME FUND) REGULATIONS 2014 and 2015 on 11th July 2014 and 19th January 2016. The Fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

The fund's objective is to provide funds for the mortgage and car loan schemes to enable the members and staff of the Assembly to: a) purchase, develop, renovate, or repair their residential property and b) purchase vehicles for personal use.

The Fund's principal activity is to provide car loans and mortgage facilities to members of county assembly and staff. The Fund was initiated in 2014 with a capital of Ksh 200 million. However, as a result of giving out car grants worth Ksh 80 million to mcas, the Fund's capital stands at Ksh 120 million.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide car loans and mortgage facilities to members of the county assembly and staff.

c) Fund Administration Committee

Ref	Name	Position
1	Hon Joab Ambaka Kilinga	Fund Manager/Administrator
2	Hon Henry Asava	Chairman of the Fund
3	Hon Douglas Isumba Beru	Member
4	Hon Victor Ijaika Bulemi	Member
5	Hon Patrick Akhwale	Member

d) Key Management

Ref	Name	Position
1	Ambaka Kilinga	Fund Administration Manager
2	Oscar Miyinzi Jagona	Principal finance officer
3	Francis Rakewa	Principal legal counsel
4	Michael Oloo	Payroll Manager
5	Stephen Masambu	Fund accountant

e) Registered Offices

P.O. Box 90 50300
Clerk's Chambers
Majengo-Luanda Road/Highway
Maragoli, KENYA

f) Fund Contacts

Telephone: (254) 020 2094140
E-mail: vihigaassembly@gmail.com
Website: www.vihigacountyassembly.go.ke

g) Fund Bankers

Cooperative Bank of Kenya
Mbale Branch
P.O. Box 816 50300
Maragoli, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. The Board of Management

Name	Details of qualifications and experience
1. Joab Ambaka Kilinga	Born in 1962, Bachelor of Education in Economics & Business Studies from Kenyatta University Executive Masters degree in Education, Leadership and Policy Management from Moi University Certificate in Strategic Leadership from KSG Having served in public sector in senior positions for more than a decade, he has a wealth of experience in transformative leadership and management best practices.
2. Hon Henry Asava	Chairman
3. Patrick Akhwale	Member
4. Francis Rakewa	Principal Legal Counsel

3. Management Team

Name		Details of qualifications and experience
1. Insert each key Manager's passport-size photo and name,		Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details
2. Manager 2		
3. Manager 3		
4. Manager 4		
5. Etc.		
<i>Note: The Fund Administrator will feature under both the 'Board' and 'Management'.</i>		

4. Fund Chairperson's Report

It is my pleasure to present, on behalf of the county assembly service board, the vihiga car loan and mortgage fund financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for its resource mobilization and financing capabilities with an objective of ensuring that the funds going concern is secured. However this changed when a total of kshs80 million was converted to grant thus reducing the capital to Ksh 120 million.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long term sustainability. The fund will ensure that additional resource mobilization done to bridge the gap created as a result of conversion of Kshs 80million to grant. Due to cash flow problems, the fund borrowed Kshs 38million to finance the car grants to mcas. A total of Kshs 27 million has been refunded leaving a balance of Kshs 11 million.

Board and management changes

There were no significant board and management changes during the year under review. The organisation arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

The income from interest amounted to Ksh 2,572,701 representing 64% of the budgeted amount of Kshs 4,000,000. There is no other income other than interest income.

During the period a total of Ksh 5,820,000 was disbursed as new and additional loans.

Expenditures

The total expenditures during the period amounted to kshs. 4,260 all of which were bank charges.

Future outlook

The outlook of the fund for 2022/2023 looks not so promising unless the National Treasury offers more funding. Imprest account borrowed a net of Ksh 5 million during the year as part of the inter account borrowing leaving a balance of Ksh 80,918,081. The fund looks forward to continued support from the county government and development partners to the realisation of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, stakeholders, management and staff for their continued support which made us achieve these results.

I look forward to your continued support in the year 2022/2023.

Signed: 

Hon Manoah Karega Mboku
Fund Chairman

5. Report of The Fund Administrator

It is my pleasure to present the Vihiga county assembly members and staff mortgage and car loan scheme fund's financial statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

The fund was established on 1st may 2014 and started with an initial amount of kshs.200M since then a total of 120 loan beneficiaries have made borrowings amounting to kshs.348M

Financial performance

a)Revenue

In the year ended 30th June 2022 the fund had projected revenues of kshs 4,000,000. Out of the projected revenue the fund was able to realise kshs 2,572,701 in actual revenues representing 64% performance a drop from the previous by 30%.

In the table below we present an analysis of the revenue performance during the year

Revenue classification	Revenue budget(kshs)	Actual(kshs)	Realization(%)
Revenue	Kshs	Kshs	
Interest income	4,000,000	2,572,701	64%
Total income	4,000000	2,572,701	64%

b) Loans

During the financial year 2021/2022, the fund disbursed new loans plus top ups totalling to kshs 5,820,000 bringing the loan beneficiaries to date to 144.

c) Cash flows

In the FY 2020/2021, we have had liquidity issues. This was a result of previous borrowings by the county assembly totalling to kshs 80,918,081 and the fact that the number of potential borrowers have increased by over 100 beneficiaries. The cash and cash equivalents increased from kshs 2,110,728 as at 30th June 2021 to kshs 6,133,895 as at 30th June 2022. However due to delays from treasury disbursements, payroll deductions for car loan and mortgage for June had not been received which results to our debtors.

d) Conclusion

FY 2021/2022 was not a good year in general. As a result of converting Car loans into grants, the fund borrowed ksh 38 Million to finance this unforeseen event. So far 35 Million has been repaid leaving a balance of kshs 3 Million. Also hampering the fund's liquidity are the borrowings by the county assembly which stand at kshs 80,918,081.

I take this opportunity to thank the board of management for their support. I would also want to thank all staff who we have worked hand in hand to ensure that vihiga county assembly car loan and mortgage fund achieves its mission.

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

The fund's capital reduced by Ksh 80 million when all the car loans for members of county assembly were converted to grants. This has greatly impacted on the fund's sustainability since in the next 5 year cycle, it may not meet the needs of would be beneficiaries. This financial year, the Fund had purposed not to issue out any new loans so as to shore up capital for the incoming mcas. However loans amounting to Ksh 5,820,000 were issued out.

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 Vihiga County Assembly Car Loan and Mortgage Fund 5year strategic plan are to:

- a) Provide quality mortgage facilities for the members of the county assembly and staff
- b) Provide car loans to enable members and staff purchase their own cars.

The fund started with a seed capital of 200M. This however has not been reduced as a result of grants worth Ksh 80 million and therefore new loan applicants have to wait for monthly repayments to access the facility. This is after all the members of county assembly being given car loans and mortgage.

In the year the fund has given 5 staff members mortgage facilities amounting to about 5,820,000. The rest of the staff members who qualify are given loans when funds are available.

The fund has further depleted its capital by ksh.80M after the conversion of the car loan of 2M for MCAs to a grant.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Car Loan and Mortgage	To provide car loan and mortgage facilities to members	Increased uptake of loans	Increased home ownership and mobility	In FY 21/22 we gave out a total of Kshs 5.8 million as loans
Program 1	Objective	Outcome	Indicator	Performance

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.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Mortgage and Car Loans Scheme	To provide Members of county assembly and staff acquire decent housing and personal transport.	Increased ownership of modern housing.	Over 125 mcas and staff have had access to modern housing or bought motor vehicles for personal use...or both.	In FY 21/22 we increased the loans uptake by 5.8 million

Corporate Governance Statement

7. THE FUND MANAGEMENT COMMITTEE

The Vihiga county assembly car loan and mortgage scheme is a revolving fund established pursuant to the salaries and remuneration commission(SRC) circular number SRC/TS/WH/3/14 of 14th February 2014. Section 167 of the public finance management(PFM)act 2012. Its mandate is to provide car loans to staff members. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with board management at its apex. The operations of the fund are governed by the vihiga county assembly car loan regulations 2015. The structure is designed to ensure an informed decision making process based on accurate reporting to the committee.

The regulations 2015 provides that the committee members shall be made up five trustees, including the chairman and shall consist of a chairman and six other members identified for appointment through a competitive process. The board of management is responsible for the Long term strategic direction of the fund and recruitment of the fund administrator and senior management. The board of management exercises leadership, enterprise, integrity and judgement in directing the fund.

The management is provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day to day running of the operations of the fund is delegated to the fund administrator but the board of management is responsible for establishing and maintaining the funds system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the fund management committee have been taken through a comprehensive induction programme and are adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of the fund in execution of their duties. At the end of each financial year, the board, its committees, individual members and the fund administrator are evaluated by an independent body against targets agreed at the beginning of the year.

FUND MANAGEMENT COMMITTEE MEETINGS

The committee meets quarterly or as required in order to monitor the implementation of the funds strategic plan and achievement of the targets and to approve loans by members and staff. The committee also plays an oversight role over all financial operational issues. The members held five full board and two special board meetings during the FY2021/2022.

AUDIT AND RISK COMMITTEE

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the county assembly service board has established an audit and risk committee. The committee was established to advice the board on institutional risk management and compliance.

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

The members of this committee during the year under review were :

S/NO	NAME	POSITION IN COMMITTEE	PERIOD SERVED
1	Mr Nebert Avutswa	Chairman	
2	Ms.Lucy Anangwe	Member	
3	Ms.Harriet mahasi	Member	
4	Ms.Linet mugalitsi	Secretariat	
5	Ms.Brenda Ajema	Secretariat	

STATEMENT OF COMPLIANCE

The board confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

The board is responsible for reviewing the effectiveness of the fund systems of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguarding of assets against unauthorized use or disposition and maintenance of proper accounting records and reliability of financial information used within a business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing instructions

The fund has a code of ethics and service charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

Organization structure

A clear organisation structure exists detailing lines of authority and control responsibilities. The professionalism and competence of the staff is maintained through both rigorous recruitment policies and performance appraisal system which establishes, targets and reinforces accountability and awareness of controls. It identifies appropriate training requirements, training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities and that the fund can meet its future management requirements.

Strategic plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund and the annual targets to met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work supported by the financial plan for the year. Progress against the plan is monitored on quarterly basis.

8. Management Discussion and Analysis

The fund has continued to grow over the years and the management has put measures in place to safeguard against risks.

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 staff with an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs. 2,572,701 from interest on loans.

Cash flow

The cash and cash equivalents increased from KShs2,110,728 as at 30 June 2021 to KShs6,133,895 as at 30 June 2022. There was not a significant cash outflow as only a total of 5.8 million was disbursed as loans.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and mortgage to members of county assembly (mcas) and staff. The county assembly has supported the fund and increased collections from members of staff has also added to the fund's better performance.

Conclusion

We appreciate the unrelenting support from the board of management, staff, the county government, National Treasury and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2021/2022.

9. Report of The Fund Administration

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.

Principal activities

The principal activities of the Fund continue to be provision of car loans and mortgage.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 19 to page 35

Trustees

The members of the Board of management who served during the year are shown on page 2.

Auditors

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

By Order of the Board



.....

Chair of the Fund Administration Committee

Date: 30-9-2022

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.

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.

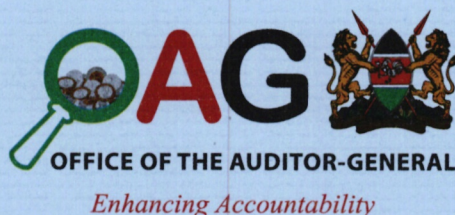
The Fund's financial statements were approved by the Board on 30.09. 2022 and signed on its behalf by:

Maths

xviii

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS 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 Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund set out on pages 1 to 33, which comprise

Report of the Auditor-General on Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund for the year ended 30 June, 2022

of the statement of financial position as at 30 June, 2022, and the statement of 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 do present fairly, the financial position of the Vihiga County Assembly Members and Staff Mortgage and Car Loans 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 (Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund) Regulations, 2015.

Basis for Qualified Opinion

1. Lack of Trial Balance

The trial balance for the Fund as at 30 June, 2022 was not provided for audit verification in support of the balances reported in the financial statements. This is contrary to paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

In the circumstances, the Management contravened paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 and thus the financial statements balances could not be confirmed.

2. Unsupported Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2022 reflects an additional borrowings of Kshs.5,000,000 under cash flows from financing activities. However, the additional borrowings are not disclosed in the statement of financial position in these financial statements or under Note 8 to the financial statements in respect to borrowings. Further, no supporting documents for the loans advanced during the year amounting to Kshs.5,820,000 were provided for audit review. In addition, the comparative balance of Kshs.38,000,000 in respect to grants given out is not disclosed under cash flows from investing activities.

In the circumstances, the correctness of the statement of cash flows could not be confirmed.

3. Current Portion of Receivables from Imprest Account

The statement of financial position as at 30 June, 2022 reflects current portion of receivables from Imprest account amounting to Kshs.80,918,081 which relates to

amounts borrowed from the Fund by the County Assembly. However, the recalculated account balance indicates a balance of Kshs.82,748,881 resulting to a variance of Kshs.1,830,800 as follows;

Details	Amount (Kshs)
Balance brought down	75,918,081
Undated/Unnumbered payment to Vihiga County Assembly Imprest account on 26 October, 2021	2,240,000
Undated/Unnumbered payment to Vihiga County Assembly Imprest account on 26 October, 2021	760,000
Repayment by Vihiga County Assembly	(3,000,000)
Undated/Unnumbered payment to sundry persons on 13 September 2021	6,830,800
Total	82,748,881

Further, the two payments to Vihiga County Assembly Imprest Account of Kshs.760,000 and Kshs.2,240,000 were stated as refunds of overcharged interests to thirty-eight (38) Members of the County Assembly (MCAs) and one hundred and twenty-four (124) staff members, respectively but there was no evidence that all the MCAs and staff had any loans under the Fund while those holding loans had not been overcharged interests. In addition, the payment of Kshs.6,830,800 relates to mortgages issued while Kshs.760,000 and Kshs.2,240,000 was in respect to refunds which does not qualify as borrowings by Vihiga County Assembly and therefore the transactions are misclassified.

In the circumstances, the accuracy and completeness of current portion of receivables from Imprest account balance Kshs.80,918,081 could not be confirmed.

4. Interest Income

The statement of financial performance reflects interest income of Kshs.2,572,701 which is equivalent to interest received as reflected in the statement of cash flows for the year ended 30 June, 2022. The amount of Kshs.2,572,701 has therefore excluded interest receivable of Kshs.227,206 and the brought forward interest receivable of Kshs.261,915 as disclosed in Note 4 to the financial statements.

In the circumstances, the accuracy and completeness of the interest income amount of Kshs.2,572,701 could not be confirmed.

5. Unsupported Current Portion of Long-term Receivables from Exchange Transactions

The statement of financial position as at 30 June 2022 reflects current portion of long-term receivables from exchange transactions balance of Kshs.36,295,458 and which, as disclosed under Note 4 to the financial statements comprise of current loan repayment due of Kshs.36,068,252 and interest receivable of Kshs.227,206. However, the schedules

supporting the financial statements reflected a balance of Kshs.22,517,092 resulting to a variance of Kshs.13,778,366 which has not been explained or reconciled.

In the circumstances, the accuracy of the current portion of receivables from exchange transactions balance of Kshs.36,295,458 could not be confirmed.

6. Long Outstanding Loan Balances

The statement of financial position as at 30 June, 2022 reflects current portion of long-term receivables from exchange transactions balance of Kshs.36,295,458 and which, as disclosed under Note 4 to the financial statements includes long overdue debts owing from two former members of County Assembly (MCA) which were not repaid by the end of the Assembly term in August, 2017. The two MCAs are indicated in the schedules supporting the financial statements to hold debts amounting to Kshs.1,414,533 and Kshs.831,629. However, the reported balances are different from the amounts in the demand letters issued by County Assembly Service Board (CASB) to the defaulters dated 12 March, 2018 for Kshs.2,180,000 and 28 February, 2018 for Kshs.1,058,110 respectively. In addition, the CASB filed a civil suit against the defaulters at the Principal Magistrate's Court in Vihiga which decreed on 4 August 2019 and 14 August, 2019 that the defaulters should pay the amounts as reflected in the CASB demand letters. Further, the warrants of arrests for the defaulters which were issued in June, 2022 reflects that the two MCAs should pay a total of Kshs.3,098,958 and Kshs.1,580,289 inclusive of interests, taxes and costs respectively.

In the circumstances, the accuracy of the current portion of long-term receivables from exchange transactions of Kshs.36,295,458 could not be confirmed.

7. Lack of Disclosure Notes for Receivables

The statement of financial position reflects current portion of receivables from imprest account and long-term receivables from exchange transactions of Kshs.80,918,081 and Kshs.36,617,053 which are referenced to Notes 5 and 6 to the financial statements respectively. However, the two notes do not reflect any amounts.

In the circumstances, no disclosure has been made for current portion of receivables from imprest account and long-term receivables from exchange transactions.

8. Statement of Financial Position

The statement of financial position reflects total net assets and liabilities of Kshs.156,964,746 while the re-casted balance is Kshs.156,964,486 resulting to a variance of Kshs.260 which has not been explained or reconciled.

In the circumstances the accuracy of the statement of financial position could not be confirmed.

9. Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position as at 30 June 2022 reflects long-term receivables from exchange transactions balance of Kshs.36,617,053. However, schedules supporting the financial statements reflect a balance of Kshs.50,395,420 resulting to an unexplained variance of Kshs.13,778,367.

In the circumstances, the accuracy of long-term receivables from exchange transactions balance of Kshs.36,617,053 could not be confirmed.

10. Non-compliance with Public Sector Accounting Standards Board

The annual report and financial statements of the Fund for the year ended 30 June, 2022 revealed the following inaccuracies and misstatements: -

- The financial report erroneously indicate that the Fund has Board of Management instead of Fund Administration Committee. Further, the members' passport photos, dates of birth, key academic and professional qualifications, work experience of the members and whether the member is independent or executive were not included.
- The Management team part has not indicated the members of the Management together with their passport photos, dates of births, key academic and professional qualifications, work experience and main area of responsibility as required by the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB).
- The Report of the Fund administrator has not been signed by the Fund administrator as required.
- The statement of performance against the County's Fund predetermined objectives has not separated the car loans program from the mortgage loans program to show the performance of each separately. Also, pages xii and xiii should be merged and reconciled.
- The environmental and sustainability reporting has not been prepared as required by the reporting template.
- The General Information under Note 1 of notes to the financial statements refers to Vihiga County Assembly instead of Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund.
- The numbering of the notes to the financial statements has not clearly separated between the significant accounting policies and notes to the financial statements and thus appear like notes 1 to 5 are repeated.
- Notes 5 to 7 do not indicate the amounts, while pages 21, 22 and 25 are blank.

- The header on pages 22 to 33 do not indicate the name of the entity as required.
- The notes to the financial statements in respect to cash generated from operations is not provided.
- Note 9 on other disclosures in respect to related party balances does not give; (i) related party transactions, (ii) key management remuneration, (iii) due from related parties, and (iv) due to related parties.
- Note 10 on other disclosures in respect to credit risk, does not show the table analysing the receivables and bank balances for the current and previous financial years so as to determine the credit risk of the fund.
- Note 10 on Other disclosures in respect to liquidity risk management, does not indicate the figures in the table for ageing of payables and borrowings.
- Note 10 on Other disclosures in respect to capital risk management, does not analyse balances relating to fund balance, borrowings, cash and cash equivalents and gearing level.
- The progress on follow-up of prior year auditor's recommendations has not been populated.

In the circumstances, the annual report and financial statements are incomplete and not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Assembly Members and Staff Mortgage & Car Loans 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

Budgetary Performance and Control

The statement of comparison of budget and actual amounts for the period ended 30 June, 2022 indicates original budgets of interest income and bank charges of Kshs.4,000,000 and Kshs.20,000 respectively against nil balances in the final budget. However, no adjustment amounts were stated to explain the differences between the

original and final budget amounts. In addition, Note 4(b) to the financial statements on Significant Accounting Policies under budget information, indicates that the Fund's budget was approved by the County Assembly on 1 July, 2021. However, no approved budget was provided for audit review. Further, the budget notes to the statement of comparison of budget and actual amounts for the year ended 30 June, 2022 does not provide any explanations on the budget performance but instead contains guidance notes for preparation of the financial statements.

In the circumstances, the Fund Management did not exercise any budgetary controls as required by the Regulations.

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. Failure to Charge Properties

The statement of financial position as at 30 June, 2022 reflects long-term receivables from exchange transactions balance of Kshs.36,617,053 which includes five (5) mortgage loans totalling to Kshs.5,820,000 advanced during the year under review as listed below:-

Loan Date	Beneficiary	Loan Amount (Kshs)
31January, 2022	Raychelle Syamba	3,200,000
31January, 2022	Vincent Mwatia	1,000,000
31January, 2022	Joan Jai	700,000
30 April, 2022	George Kibisu	670,000
30 April, 2022	Victor Chadiva	250,000
Total		5,820,000

However, the titles to the properties were not registered in joint ownership with the Board contrary to Regulation 20(1) of the Vihiga County Assembly Members and Staff Mortgage and Car Loans Schemes Fund Regulations, 2015 which requires that the County Assembly Service Board shall have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of title for that property.

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

2. Illegal and Long Outstanding Loan to County Assembly

The statement of financial position reflects current portion of receivables from Imprest account opening balance of Kshs.75,918,081 which increased to Kshs.80,918,081 as at 30 June, 2022 comprising of cash lent to the County Assembly. Although, Kshs.3,000,000 was repaid during the year under review, no reason has been provided for not recovering the full amount from the County Assembly to enable the Fund to execute its mandate of providing car loans to members and staff of the County Assembly. In addition, the name of the account in the statement of the financial position implies that the Fund has an imprest account which is not the case.

In the circumstances, the recoverability of the loan is doubtful and the County Assembly and the Fund are in breach of the law and regulations governing the Fund.

3. Non-adherence to Fund Regulations

During the year under review, payments amounting to Kshs.6,830,800 were made to eighty (80) persons as approved by Car and Mortgage Committee vide Car Loan and Mortgage Technical Committee minutes dated 13 September, 2021 and approved by County Assembly Service Board (CASB) minutes dated 10 September, 2021. However, all the beneficiaries, two (2) of whom are not members of the Fund did not make any applications for the mortgage loans but were paid mortgages of between Kshs.16,800 to Kshs.226,000. Further, the payments were not recorded in the debtors' ledger and the title deeds were neither jointly owned with CASB nor were they in the custody of CASB as required of Regulation 20(1) of the Vihiga County Assembly Members and Staff Mortgage and Car Loans Schemes Fund Regulations, 2015 that the County Assembly Service Board shall have a charge registered on the property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of title for that property. In addition, although the repayments for the said borrowings were overdue, no recovery had been made as the MCAs were out of office and no justification was made for the small allocation of mortgage funds to beneficiaries.

In the circumstances, 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters 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

1. Withdrawal of Car Loans Capital from the Fund

The statement of changes in net assets for the year ended 30 June, 2022 reflects revolving fund balance of Kshs.120,000,000 in respect to capital funds for mortgage loans due to a reduction of Kshs.80,000,000 withdrawn from the fund balance in the year 2019/2020 during the conversion of MCAs car loans to car grants thus technically making the Fund a mortgage scheme although the conversion only affected the Members of the County Assembly and not staff members of the Assembly. Since the Fund reported an existing car loan by a staff, it implies that mortgage funds were irregularly reallocated to car loans since the capital for car loans has not been replenished.

In the circumstances, Management was overriding its internal controls.

2. Incomplete Entries in the Individual Debtors Ledger Accounts

The individual debtors' ledger accounts for car loans and mortgage loans revealed the following inconsistencies;

- (i) Dates and type of loans were not indicated for all beneficiaries.
- (ii) The monthly principal balances were not recorded for purposes of computation of interest income using reducing balance method.
- (iii) The interest income for all the months were indicated using pencil which could easily be altered.
- (iv) The total interest incomes, and principal loan repayments for individual debtors were not recorded in the respective debtor's ledger account.
- (v) Note 1 to the financial statements in respect to interest income does not provide a brief explanation for the revenue as required.
- (vi) Note 4 on receivables from exchange transactions under additional disclosure on interest receivable does not indicate any balances as required by the reporting template.

Due to the weak internal controls, we could not confirm the accuracy of interest income, loan principal repayments, and loan balances as reported in the financial statements.

3. Use of Different Names for the Fund's Bank Account

The bank reconciliation statements for the Fund for the year under review reflects the name of the account as Vihiga County Assembly – Mortgage while the bank statements reflect the name as Vihiga County Assembly Car and Mortgage Account. Further, Note 3 to the financial statements in respect to cash and cash equivalents reflects Vihiga County Mortgage account which refers to the same bank account. In addition, the detailed analysis of the cash and cash equivalents in Note 3 to the financial statements reflects the Fund account as a fixed deposit account instead of a current account as indicated in the bank statements.

In the circumstances, the correct account name and type of account for the Fund could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 Fund Administration Committee

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its 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.

The Fund Administration Committee is 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 overall

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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

09 March, 2023

Vihiga County Assembly Members and Staff Mortgage and Car Loans 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 Exchange Transactions			
Interest Income	1	2,572,701	3,767,381
			3,767,381
Total Revenue		2,572,701	3,767,381
Expenses			
Fund administration expenses	2	-	2,760,092
Bank Charges	2	4,260	
Total Expenses		4,260	2,760,092
Other Gains/Losses			
Gain/Loss on Disposal of Assets			
Surplus For The Period		2,568,441	1,007,289

(The notes set out on pages 31 to 35 form an integral part of these Financial Statements)

.....
Name:
Administrator of the Fund

.....
Name: Stephen Masambu
Fund Accountant
ICPAK Member Number: 10533

Vihiga County Assembly Members and Staff Mortgage and Car Loans 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	3	6,133,895	2,110,728
Current Portion of Long- Term Receivables From Exchange Transactions	4	36,295,458	38,569,459
Current portion of receivables from Imprest account	5	80,918,081	75,918,081
		123,347,434	116,598,263
Non-Current Assets			
Long Term Receivables from Exchange Transactions	6	36,617,053	65,783,733
		36,617,053	65,783,733
Total Assets		159,964,487	182,381,996
Liabilities			
Current Liabilities			
Provisions		-	-
Current Portion of Borrowings	7	3,000,000	28,000,000
		3,000,000	28,000,000
Non-Current Liabilities			
Long Term Portion of Borrowings	7	-	-
Total Liabilities		3,000,000	28,000,000
Net Assets		156,964,487	154,381,981
Revolving Fund		120,000,000	120,000,000
Accumulated Surplus		36,964,486	34,396,045
Total Net Assets and Liabilities		156,964,746	154,396,045

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 30.09.2022 and signed by:

.....
Name: Ambaka Kilinga
Administrator of the Fund

.....
Name: Stephen Masambu
Fund Accountant
ICPAK Member Number:10533

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	200,000,000	-	33,388,756	233,388,756
Surplus For the Period	-	-	1,007,289	1,007,289
Funds Received During the Year	(80,000,000)	-		(80,000,000)
Balance As At 30 June 2021	120,000,000	-	34,396,045	154,396,045
Balance As At 1 July 2021	120,000,000	-	34,396,045	154,396,045
Surplus For the Period			2,568,441	2,568,441
Funds Received During the Year		-	-	-
Balance As At 30 June 2022	120,000,000		36,964,486	156,964,486

(Provide details on the nature and purpose of reserves)

.....
Name: AMBAKA KILINGA
Administrator of the Fund

.....
Name: STEPHEN MASAMBU
Fund Accountant
ICPAK Member Number:

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

15. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	38,000,000
Interest received		2,572,701	3,767,381
Receipts from other operating activities		-	-
Total receipts		2,572,701	41,767,381
Payments			
Fund administration expenses		-	2,760,092
Bank charges		4,260	-
General expenses Total expenses		4,260	2,760,092
Net cash flows from operating activities	21	2,568,441	39,007,289
Cash flows from investing activities			
Repayments to Executive		(25,000,000)	-
Proceeds from loan principal repayments		37,274,725	34,866,432
Loan disbursements paid out		(5,820,000)	(42,140,000)
Net cash flows used in investing activities		6,454,725	(45,273,567)
Cash flows from financing activities			
Additional borrowings		(5,000,000)	(6,654,800)
Repayment of borrowings		(xxx)	3,621,246
Net cash flows used in financing activities		(5,000,000)	(3,033,554)
Net increase/(decrease)in cash &cash Equivalents		4,022,566	
Cash and cash equivalents at 1 July	11	2,110,728	11,410,561
Cash and cash equivalents at 30 June	11	6,133,894	2,110,728

.....
Name: **AMBAKA KILINGA**
Administrator of the Fund

.....
Name: **STEPHEN MASAMBU**
Fund Accountant

ICPAK Member Number: 10533

Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

16. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Interest Income	4,000,000	-	-	2,572,701	(1,427,299)	
Other Income	-	-	xxx	-	-	
Total Income	4,000,000	(xxx)	xxx	2,572,701	(1,427,299)	
Expenses						
Fund Administration Expenses	xxx	-	xxx	Xxx	(xxx)	
General Expenses	xxx	(xxx)	xxx	Xxx	(xxx)	
Bank charges	20,000	(xxx)	xxx	4,260	(15,740)	
Total Expenditure	20,000	(xxx)	xxx	4,260	(15,740)	
Surplus For The Period	3,800,000	xxx	xxx	2,568,441	1,231,559	

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.

17. Notes to the Financial Statements

1. General Information

The Vihiga county assembly is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14th February 2014 and the VIHIGA COUNTY ASSEMBLY MEMBERS (CAR LOAN SCHEME FUND) REGULATIONS 2014 and 2015 on 11th July 2014 and 19th January 2016. The Fund is wholly owned by the County Assembly of Vihiga and is domiciled in Kenya. The entity's principal activity is to provide car loans and mortgage facility to members of county assembly and staff.

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	Applicable: 1st January 2023: 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.

Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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. <i>(State the impact of the standard to the Entity if relevant)</i>
IPSAS 42: Social Benefits	Applicable: 1st January 2023 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: (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.
Amendments to Other IPSAS	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the

Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
resulting from IPSAS 41, Financial Instruments	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. 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.
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an

***Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022***

Standard	Effective date and impact:
	Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.

(iii) Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 1st July 2021. 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.

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

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

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

Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

a) 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 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.

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 Entity has the positive intention and ability to hold it to maturity. After initial measurement, -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)

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 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.

Summary Of Significant Accounting Policies (Continued)

b) 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.

c) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

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.

Summary Of Significant Accounting Policies (Continued)

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.

d) Nature and purpose of reserves

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

e) 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.

Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

f) Related parties

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

g) 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.

h) Comparative figures

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

i) Events after the reporting period

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

j) Ultimate and Holding Entity

The entity is a County Public Fund established by SRC circular SRC/TS/WH/3/14. Its ultimate parent is the County Government of Vihiga.

k) 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 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.

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

6. Notes To The Financial Statements

1. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	2,572,701	3,374,459
Interest Income From Car Loans	-	392,922
Total Interest Income	2,572,701	3,767,381

2. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
Administration Fees	-	2,752,532
Bank Charges	4,260	7,560
Total	4,620	2,760,092

3. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Vihiga Car Loan Account	-	-
Vihiga County Mortgage Account	6,133,895	2,110,728
Total Cash And Cash Equivalents	6,133,895	2,110,728

(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			
Cooperative Bank of Kenya	01141472757300	6,133,895	2,110,728
Sub- Total		6,133,894	2,110,728

Vihiga County Assembly Members And Staff Mortgage and Car Loans Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

4. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	227,206	261,915
Current Loan Repayments Due	36,068,252	38,307,539
Other non Exchange Debtors	80,918,081	75,918,081
Total Current Receivables	117,213,539	114,487,535
Non-Current Receivables		
Long Term Loan Repayments Due	36,617,053	65,783,733
Total Non- Current Receivables	36,617,053	65,783,733
Total Receivables From Exchange Transactions	153,830,592	180,271,268

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

5. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
ConsumableStores	xxx	xxx
SparePartsAndMeters	xxx	xxx
Catering	xxx	xxx
Other Inventories (Specify)	xxx	xxx
Total Inventories At The Lower Of Cost And Net Realizable Value	xxx	xxx

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

6. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	xxx	xxx
Refundable Deposits	xxx	xxx
Accrued Expenses	xxx	xxx
Other Payables	xxx	xxx
Total Trade And Other Payables	xxx	xxx

7. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	xxx	xxx	xxx	xxx
Additional Provisions	xxx	xxx	xxx	xxx
Provision Utilised	(xxx)	(xxx)	(xxx)	(xxx)
Change Due To Discount And Time Value For Money	(xxx)	(xxx)	(xxx)	(xxx)
Transfers From Non -Current Provisions	xxx	xxx	xxx	xxx
Balance At The End Of The Year (30.06.2022)	xxx	xxx	xxx	xxx

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

8. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	28,000,000	0
External Borrowings During the Year	xxx	xxx
Domestic Borrowings During the Year	xxx	38,000,000
Repayments Of External Borrowings During the Period	(25,000,000)	(10,000,000)
Repayments Of Domestic Borrowings During the Period	(xxx)	(xxx)
Balance At End of The Period	3,000,000	28,000,000

XXX County XXX Fund/Board (Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

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

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'		xxx
Transfers To Related Parties	xxx	xxx

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	xxx	xxx
Key Management Compensation	xxx	xxx
Total	xxx	xxx

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	xxx	xxx
Due From County Government	xxx	xxx
Total	xxx	xxx

Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	xxx	xxx
Due To County Government	xxx	xxx
Due To Key Management Personnel	xxx	xxx
Total	xxx	xxx

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

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, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

(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

XXX County XXX Fund/Board (Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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 fromxxxx

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

b) Liquidity risk management

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

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

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

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.

XXX County XXX Fund/Board (Indicate actual name of the entity)

Annual Report and Financial Statements for the year ended June 30, 2022

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

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

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

i. Foreign currency risk

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

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

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

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%	xxx	xxx
USD		10%	xxx	xxx
2021				
Euro		10%	xxx	xxx
USD		10%	xxx	xxx

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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

d) Capital risk management

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

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

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

XXX County XXX Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2022

18. 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)

Guidance Notes:

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

