

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

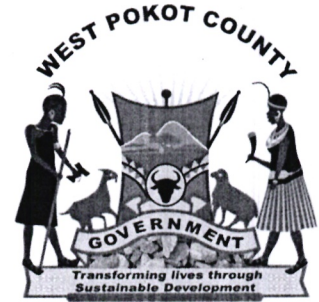
**ON**

**WEST POKOT COUNTY - CAR LOAN &  
MORTGAGE SCHEME FUND**

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

PAPERS LAID	
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**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**END YEAR REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
30<sup>TH</sup> JUNE 2022**

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

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022**

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## **WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

### **Reports and Financial Statements**

**For the year ended June 30, 2022.**

#### **1. KEY ENTITY INFORMATION AND MANAGEMENT**

##### **a) Background information**

West Pokot County Executive Car Loan and Mortgage Fund is established by, and derives its authority and accountability from West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016. The Fund is wholly owned by the County Government of West Pokot and is domiciled in Kenya.

The fund is managed by a committee that sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

The fund's objective is to enable Car loan and Mortgage to be advanced to the Members of the scheme as may be prescribed the Salaries and Remunerations Commission.

The Fund's principal activity is to provide car and mortgage loans to its members

##### **b) Principal Activities**

The principal mandate of the Fund is to provide a loan scheme for the purchase of vehicles, houses, or land for development, renovation and repair of residential property by members of the scheme.

##### **c) Fund Administration Committee**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1.	Chairperson of the Board	Hon. Ruth Kisabit
2.	Member – Resigned on 9 <sup>th</sup> February 2022	Hon. Francis Kiteleuyan
3.	Member – Resigned on 9 <sup>th</sup> February 2022	Hon. Augustine Chemonges Loile
4.	Member	Hon. Christine Apakoreng
5.	Assistant Director Transport services	Mr. Leonard Kilekwang
6.	Assistant Director Legal services	Mr. Erick Changorok
7.	Assistant Director Human Resource services	Mrs. Carolyne Kiberenge Powen
8.	Fund Administrator	Dr. Grace Amurle Soprin

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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**For the year ended June 30, 2022.**

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**d) Key Management**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Fund Administrator	Dr. Grace Amurle Soprin
2	Fund Accountant	CPA Haron Muruny

**e) Fiduciary Oversight Arrangements**

The following are fiduciary oversight arrangements applicable to the West Pokot Car loan and Mortgage fund :

**i. West Pokot County Assembly**

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County executive committee and any other County executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight in the County assembly:

- Public Accounts and Investment Committee
- Sectorial Committees
- Finance and Planning Committee
- Implementation Committee

**ii. Controller of Budget**

Article 228(4) of the Constitution of Kenya provides that the Controller of Budget shall oversee the implementation of the budgets of the national and County governments by authorizing withdrawal from public funds. The Controller of Budget is also mandated to inquire into any matter which may be brought to his/her attention or which he/she considers necessary in the process of budget implementation.

**iii. The Senate**

The Senate by virtue of its constitutional mandate has secondary oversight responsibility over County governments. The County Public Accounts and Investment Committee of the Senate has been directly involved in oversight over County governments.

**iv. Audit Committee**

The West Pokot County Audit Committee was constituted and inducted on 1<sup>st</sup> July 2018 as per the provisions of the Public Finance and Management Act, 2012. It is mandated to review audit reports and advise the County government on institutional risk management.

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**f) Registered Offices**

P.O Box 222 – 30600  
Office of the Governor  
Off Kapenguria County Hospital Road  
Kapenguria, Kenya

**g) Fund Contacts**

Telephone: (254) 0532014000  
E-mail: [carloanmortgagefund@westpokot.go.ke](mailto:carloanmortgagefund@westpokot.go.ke)  
Website: [www.westpokot.go.ke](http://www.westpokot.go.ke)

**h) Fund Bankers**

Co-operative Bank of Kenya  
Kitale Branch  
P.O. Box 1058 - 30200  
Kitale, Kenya

**i) Independent Auditors**

Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
Nairobi, Kenya

**j) Principal Legal Adviser**






The County Attorney  
P.O Box 222 – 30600  
Off Kapenguria County Hospital Road  
Kapenguria, Kenya

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2022.**




**2. THE FUND ADMINISTRATION COMMITTEE**

Name	Details of qualifications and experience
<p>1. Hon. Ruth Kisabit</p> 	<p><b>Date of Birth:</b> 4<sup>th</sup> April 1968 <b>Qualification:</b> MA. Education Management and Administration <b>Experience:</b> 27 Yrs <b>Position:</b> CECM – Finance &amp; Economic Planning</p>
<p>2. Hon. Francis Kiteleyan</p> 	<p><b>Date of Birth:</b> 14<sup>th</sup> July 1975 <b>Qualification:</b> BA. Business Management <b>Experience:</b> 25 Yrs <b>Position:</b> CECM – Trade Industrialization and Cooperative Development.</p>
<p>3. Hon. Augustine Chemonges Loile</p> 	<p><b>Date of Birth:</b> 7<sup>th</sup> May 1975 <b>Qualification:</b> M.PHL.Economics <b>Experience:</b> 19 Yrs <b>Position:</b> CECM – Lands, Housing, Physical Planning and Urban Development</p>
<p>4. Hon.Christine Apakoreng</p> 	<p><b>Date of Birth:</b> 10<sup>th</sup> May 1975 <b>Qualification:</b> BSc. Education <b>Experience:</b> 16 Yrs <b>Position:</b> CECM – Health, Sanitation and Emergency Services</p>
<p>5. Mr. Leonard Kilekwang</p> 	<p><b>Date of Birth:</b> 13<sup>th</sup> September 1993 <b>Qualification:</b> BA. Neuroscience and Minor Economics <b>Experience:</b> 4Yrs <b>Position:</b> Assistant Director Transport</p>
<p>6. CPA Grace Amurle, (PhD)</p>	<p><b>Date of Birth:</b> 1<sup>st</sup> January 1959 <b>Qualification:</b> PHD in Business Administration <b>Experience:</b> 20 Yrs in Public Sector and NGOs <b>Position:</b> Chief Officer Finance &amp; Economic planning</p>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2022.**

	
7. Mr. Erick Changorok 	<b>Date of Birth:</b> 1986 <b>Qualification:</b> Bachelor of Law <b>Experience:</b> 5 Yrs <b>Position:</b> Assistant Director Legal Services
8. Mrs. Carolyn K. Powen 	<b>Date of Birth:</b> 1984 <b>Qualification:</b> Msc. Human Resources <b>Experience:</b> 10 Yrs <b>Position:</b> Assistant Director Human Resource Management.

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
 PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity 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 objective of the Car loan and Mortgage Scheme Regulations 2016 are derived from the SRC circular 023/12/2014. These are:

- a) Provide affordable government loans to purchase cars
- b) Provide access to mortgage facilities.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:



<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Car Loan and Mortgage	To provide affordable government loans to purchase cars and access to mortgage facilities	Increased number of officers accessing the Car loan and Mortgage fund	No of officers granted Car Loan and Mortgage.	-In FY 21/22 12 staff members were advanced loans

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2022.**

**4. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
1. Hon. Ruth Kisabit 	<b>Date of Birth:</b> 4 <sup>th</sup> April 1968 <b>Qualification:</b> MA. Education Management and Administration <b>Experience:</b> 27 Yrs <b>Position:</b> CECM – Finance & Economic Planning
2. Dr. Grace Amurle 	<b>Date of Birth:</b> 1 <sup>st</sup> January 1959 <b>Qualification:</b> PHD in Business Administration <b>Experience:</b> 20 Yrs in Public Sector and NGOs <b>Position:</b> Chief officer Finance & Economic planning, Fund Administrator/Secretary.
3. CPA Haron Ksang Muruny	<b>Date of Birth:</b> 1 <sup>st</sup> January 1989 <b>Qualification:</b> Bsc. Finance & Banking, CPA(K) <b>Experience:</b> 8 Yrs in Finance and Banking <b>Position:</b> Head of Accounting Services

## **5. FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT**

The financial statements for West Pokot County Car Loan & Mortgage Fund for the FY 2021/2022 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

During the Financial year under review, the fund granted loans to 12 new members as at June 30, 2022. This brings the total number of beneficiaries to 69.

The fund advanced a total cumulative loan of Kshs.267,000,000 to members as at June 30, 2022. During the year under review, total actual loan repayment amounted to Ksh.35,488,137. The total outstanding loans (principal and interest) from members as at 30th June, 2022 amounted to Ksh. 115,796,630. The fund earned total interest of Kshs. 3,720,965 during the period.

The Fund committee held five meetings during the period under review. The available Bank balance as at 30th June, 2022 amounted to Ksh. 49,030,028 .

The fund recorded an increase in the disbursement of loans during the year under review as compared to the previous years. However, despite this increase, the target set for the period was not met because a lot of applicants did not meet the set requirements of the security measures put in place for the sustainability of the fund. During this period the Committee through the Director's legal services representative managed to prepare a draft Bill and Policy for the West Pokot car loan and mortgage fund. The proposed Car loan and Mortgage bill and car loan and mortgage policy, seeks to address issues of defaulters by curbing the repayment period to the term of engagement of the beneficiaries amongst other issues facing the fund.

The committee administering the fund is fully committed to maximizing stakeholders' value and serving the public better while adhering to existing regulations governing management of the Fund.



Hon. Paul Woyakapel  
**Chairperson Car Loan and Mortgage Scheme Fund**

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**6. REPORT OF THE FUND ADMINISTRATOR**

The County Executive Car loan & Mortgage scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 dated 14th February 2014 and SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014.

The SRC circulars provided guidelines for accessing car loan and mortgage benefits by state and public officers. It is in lieu of this, the County Car loan and mortgage scheme fund was created.

The financial statements for Car & Mortgage for the period ended 30<sup>th</sup> June, 2022 have been prepared in accordance to Section 167 of the Public Finance Management (PFM) Act 2012 which mandates the administrator of the fund to prepare and present 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 each reporting period.

The fund is keen on enforcing fiscal responsibility principles with a focus on efficiency and effectiveness in implementing the fund's objective. The funds received during the year under review were repayments from loanees.

To give a fair and equal chance, the committee approved that any applicant is eligible to get a loan only once, and there will be no top-up loans. Despite this, there were challenges. There were high cases of former employees defaulting on their loans. However, measures to curb this have been put in place to secure the sustainability of the fund. During the FY 2021/2022 the fund was able to issue individual statements to all beneficiaries and was followed by demand letters for the defaulters. Some defaulters responded by laying their repayment plans whereas a list of others who did not communicate back was forwarded to the legal department for action.

Funding remains a challenge considering the fund has not received any additional application from the County Exchequer for the past four financial years. Due to the limited availability of funds, the committee approved ceilings to guide the loan amount officers can receive as loans pegged to their job group. This move was to help rationalize and serve loans equitably. It's of note that the fund engaged Cooperative Bank to invest Ksh 30 million on a fixed deposit for three months. The fund will continue to explore investment markets and negotiate for the best while at the same time remaining cautious of speculative risks.

The management team is committed to ensure all funds submitted to the scheme fund are used for their intended purposes and have been duly accounted for.

***WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND***  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**Priscillah Chebet Mungo**

**Fund Administrator – West Pokot Car Loan and Mortgage Scheme Fund**

## **7. CORPORATE GOVERNANCE STATEMENT**

The county government of West Pokot is committed to best practice and has adopted SRCs guidelines and principles in implementing civil servants' car loans and mortgage schemes and as per West Pokot car Loan and Mortgage Scheme Fund Regulations 2016.

These guidelines have been used to manage the fund. Therefore, the county executive wishes to report on corporate governance as part of its commitment to preserving stakeholders' confidence.

### **Committee composition**

The Fund regulations established a loans management committee known as Car and Mortgage loan management committee. Its membership consists of:

- a. Chief officer finance and planning as chairperson
- b. Head of human resource
- c. Head of legal services
- d. Two members of staff appointed by governor
- e. The fund administrator (ex-officio) appointed by CECM Finance

The Car loan and mortgage Committee is responsible for the general administration and management of the affairs of the fund. The committee is responsible for;

- Making recommendations with respect to the conditions under which car loan and mortgage shall be granted or repaid.
- Processing applications for the granting of loans to members of the scheme subject to provisions of any agreement relating to the provision of car loan or mortgage
- Receiving and administering the resources of the fund
- Supervising the day-to-day running of the fund
- Liaising with financial institutions to set up a revolving fund for the disbursement of loans
- Call in loans in cases of breach by the borrower.

### **Induction and training, Administration Committee members and member's performance**

The committee determines the induction and training of the committee members are done on a needs assessment basis and approval for all training is determined by the committee.

### **Conflict of interest**

The Committee decisions are consensually based and guided by the Car loan and mortgage regulations 2016. This approach is embraced to ensure that fund operates in a transparent and fair manner.

***WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND***  
**Reports and Financial Statements**  
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**Board remuneration**

The Committee allowances are paid based on the SRC circular on payment of taskforce allowance and remuneration of tribunal, boards and committees. All allowances are paid by the fund administrator with the approval of the Committee.

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**a. Operational and financial performance of the Fund during the period**

The fund and financial performance for the period under review was satisfactory. Some of the major achievements made were:

- Revised the loan application form
- Ensured all loans granted met the loan checklist
- Preparation of Cash books and bank reconciliations
- Generated and issued Individual statements to the beneficiaries.
- Qualified audit opinion for the FY 2020/2021.

**b. Fund's compliance with statutory requirements,**

The West Pokot car loan and mortgage fund is fully compliant with all statutory requirement as mandated by laws governing the establishment and operations of funds.

**c. Major risks facing the Fund, material arrears in statutory and other financial obligations, and**

In every entity, there are emerging risks that may hinder or delay the implementation of the entity's objectives. It is important therefore to identify the risks in time so as to employ proper methods in managing the risks. Embedding a strong risk culture among the staff and the leadership, articulating the organizations risk appetite levels, and institutionalizing knowledge and awareness of risk management at all levels in all areas of operations is paramount.

The major risk areas in the delivery of the fund's objective are:

- funding and budget constraint.
- Lack of procedures for charging of collateral to secure loans
- Lack of a software to manage the fund
- Huge expectation from staff on loan amounts.

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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**For the year ended June 30, 2022.**

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**9. ENVIRONMENT AND SUSTAINABILITY REPORTING**

West Pokot Car loan and Mortgage fund exists to transform lives of the county executive staff employees. This is achieved through granting of affordable car loan and mortgages to provide affordable housing.

The fund is keen to conserve the environment, promote education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives, however the fund did not engage in any Corporate social responsibilities' activities during the period under review.

Below is a brief highlight of our achievements:

**1. Sustainability strategy and profile**

The fund has been able to sustain its activities of disbursing loans despite limited resource allocation in the County budget. This has been attributed by prompt repayments from the beneficiaries thereby sustaining the fund. Since inception, The Fund has received Kshs 145 million and 29.5million as borrowings from County Assembly. Total loan disbursements amount to 267million. This is a good indicator of repayments however the fund still risks the loss of funds from defaulters. To minimize this, the fund has made efforts to limit defaulting by capping gaps that existed during loan application such as limit of loan repayment period and reviewing of the loan application form and loan agreement between the beneficiaries and the fund. During the period under review, the County invested on a fixed deposit with Cooperative in which the fund will earn interest and thus additional revenue.

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**10. REPORT OF THE BOARD**

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

**10.1 Principal activities**

The principal activities of the Fund are to provide car and mortgage loans to its members.

**10.2 Results/Performance**

The performance of the Fund for the year ended June 30, 2022, is set out on page 19.

**10.3 Committee**

The members of the Fund Administration Committee who served during the year are shown on page 1.

**10.4 Auditors**

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

By Order of the Committee



Hon. Paul Woyakapel

Chair of the Fund Administration Committee

Date: 14/03/2023

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by West Pokot County Car Loan and Mortgage Scheme Fund Regulation 2016, shall prepare financial statements for the Fund as per the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and West Pokot County Car Loan and Mortgage Scheme Fund Regulation 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as of that date.

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

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.

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2022.**

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**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 14/3/2023 and signed on its behalf by:



Priscillah Chebet Mungo

**Fund Administrator – West Pokot Car Loan and Mortgage Fund**

# REPUBLIC OF KENYA



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON WEST POKOT COUNTY - CAR LOAN & MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **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 the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 West Pokot County -Car Loan & Mortgage Scheme Fund set out on pages 19 to 61, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance,

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*Report of the Auditor-General on West Pokot County - Car Loan & Mortgage Scheme Fund for the year ended 30 June, 2022*

statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of West Pokot County - Car Loan & Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the West Pokot County Car Loan and Mortgage (Members) Scheme Fund Regulations, 2016 and the Public Finance Management Act 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

The financial statements presented for audit had the following inaccuracies;

- 1.1 The statement of cash flows reflects proceeds from loan principal repayments of Kshs.38,578,852 while the statement of comparison of budget and actual amounts reflects Kshs.38,686,665 resulting to an unexplained variance of Kshs.107,813.
- 1.2 The statement of comparison of budget and actual amounts reflects overpayment reimbursements final budget of Kshs.1,102,209 and actual on comparable basis of Kshs.212,649 which were not explained.
- 1.3 The statement of financial position indicates Note 15 to be long term receivables from exchange transactions instead of Note 12. Note 15 relates to property plant.
- 1.4 The statement of financial position reflects comparative revolving fund balance of Kshs.149,000,000 while the statement of changes in net assets reflects Kshs.145,000,000 resulting to an unexplained nor reconciled variance of Kshs.3,000,000.

In the circumstances, the accuracy and completeness of the above figures could not be confirmed.

#### **2. Misclassification of Receivables from Exchange Transactions**

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.115,796,630 and nil balance on current portion of long-term receivables from exchange transactions. This was contrary to paragraph 76(c) of the International Public Sector Accounting Standards No. 1 that requires amounts expected to be received in the next twelve months after reporting date to be classified as current assets, and all other assets to be classified as non-current. In addition, disclosure of

receivables did not clearly indicate the principal and interest amounts showing the respective current and long-term portions.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions balance of Kshs.115,796,630 could not be confirmed.

### **3. Failure to Refund Loan Over Repayments**

The statement of financial position reflects prepaid loan over recoveries balance of Kshs.1,769,478 as disclosed in Note 13 to the financial statements. These amounts relate to loan repayments through gratuity that exceeded the actual loan balances. However, Management has not made any efforts to have the amounts refunded, with some dating back year 2016.

In the circumstances, the accuracy and completeness of loan over recoveries balance of Kshs.1,769,478 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects income budget of Kshs.53,550,000 and actual on comparable basis of Kshs.38,686,665 resulting to a shortfall of Kshs.14,863,335 or 28% of the budget. Similarly, the Fund spent Kshs.29,626,259 out of the approved expenditure budget of Kshs.43,873,209, resulting in an under expenditure of Kshs.14,246,950 or 32% of the budget.

In the circumstances, the revenue shortfall and under-expenditure may have impacted negatively on the Fund's activities.

#### **2. Unresolved Prior Year Matters**

The audit report for the year ended 30 June, 2021 highlighted unsatisfactory matters on the financial statements presented for audit and on lawfulness in use of resources. Management has in the report on progress made in follow-up of auditor's recommendations indicated that the matters were resolved in the year 2021. However, the status of the matters will be confirmed after they are discussed by the Legislature.

# 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. Budget Imbalance**

The summary statement of appropriation reflects budgeted receipts of Kshs.53,550,000 and budgeted expenditure of Kshs.43,873,209 resulting to a variance of Kshs.9,676,791. This was contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, budget shall be balanced.

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

### **2. Lack of Approved Budget**

The statement of comparison of budget and actual amounts reflects final income budget of Kshs.53,550,000 and final expenditure budget of Kshs.43,873,209. However, there was no evidence that the budget estimates were approved. This contravenes Regulation 31(a) of the Public Financial Management (County Governments) Regulations, 2015 which requires that all revenue and expenditure shall be entered into the County Government budget estimates and approved for one year only. It also contravenes Regulation 99(2) of the Public Financial Management (County Governments) Regulations, 2015 which requires that the approved budget estimates of expenditure shall form the basis of the financial statements for the financial year.

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

### **3. Failure to Separate Cash Books**

The statement of financial position reflects cash and cash equivalents balance of Kshs.49,030,028 as disclosed in note 11 to the financial statements. The balance includes main account balance of Kshs.8,222,895 and repayment account balance of Kshs.40,807,133. However, only one cashbook was maintained for the two bank accounts, making it difficult to perform accurate bank reconciliations. This was contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.

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

#### **4. Failure to Secure Loans**

The statement of financial position reflects long term receivables from exchange transaction of Kshs.115,796,630 being loans which were not secured. This makes loan recoverability uncertain in case of default and contravenes Regulations 10(1) of Public Finance Management (West Pokot County Car Loan and Mortgage (Members) Scheme Fund) Regulations, 2016 which states that a loan approved under Regulation 9 shall be released from the fund in such a manner taking into account the security of the funds as may be prescribed by the committee.

In the circumstance, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

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

#### **Responsibilities of Management and those Charged with Governance**

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

24 March, 2023

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND****Reports and Financial Statements****For the year ended June 30, 2022.****13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2022.**

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	3,720,965	4,127,402
Other income	5	-	-
<b>Total revenue</b>		<b>3,720,965</b>	<b>4,127,402</b>
<b>Expenses</b>			
Fund administration expenses	6	-	-
General expenses	7	913,610	1,471,020
Finance costs	8	-	-
<b>Total expenses</b>		<b>913,610</b>	<b>1,471,020</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9	-	-
<b>Surplus/( deficit) for the period</b>		<b>2,807,355</b>	<b>2,656,382</b>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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**14. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2022**

	Note	FY 2021/2022 KShs	FY2020/2021 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	49,030,028	36,890,548
Current portion of long-term receivables from exchange transactions	12	-	6,216,736
Prepayments	13		
Inventories	14	-	-
<b>Non-current assets</b>			
Long term receivables from exchange transactions	12	115,796,630	122,391,789
Property, plant and equipment		-	-
Intangible assets	12	-	-
<b>Total assets</b>		<b>164,826,658</b>	<b>165,499,074</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
Prepaid - Loan over recoveries	13	1,769,478	1,249,248
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
<b>Total liabilities</b>		<b>1,769,478</b>	<b>1,249,248</b>
<b>Net assets</b>			
Revolving Fund		145,000,000	149,000,000
Reserves		-	-
Accumulated surplus		18,057,181	15,249,826
<b>Total net assets and liabilities</b>		<b>164,826,658</b>	<b>165,499,073</b>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on 14/3/2023 and signed by:



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**Administrator of the Fund**  
**Name:** Priscillah Chebet Mungo



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**Fund Accountant**  
**Name:** CPA Haron Muruny Ksang  
**ICPAK Member Number:** 26158

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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**15.STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2015</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	42,850	42,850
Funds received during the year	30,000,000	-	-	30,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2016</b>	<b>30,000,000</b>	-	<b>42,850</b>	<b>30,042,850</b>
<b>Balance as at 1 July 2016</b>	<b>30,000,000</b>	-	<b>42,850</b>	<b>30,042,850</b>
Surplus/(deficit) for the period	-	-	1,925,918	1,925,918
Funds received during the year	45,000,000	-	-	45,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2017</b>	<b>75,000,000</b>	-	<b>1,968,768</b>	<b>76,968,768</b>
<b>Balance as at 1 July 2017</b>	<b>75,000,000</b>	-	<b>1,968,768</b>	<b>76,968,768</b>
Surplus/(deficit) for the period	-	-	2,198,528	2,198,528
Funds received during the year	70,000,000	-	-	70,000,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	<b>145,000,000</b>	-	<b>4,167,296</b>	<b>146,968,768</b>
<b>Balance as at 1 July 2018</b>	<b>145,000,000</b>	-	<b>4,167,296</b>	<b>149,167,296</b>
Surplus/(deficit) for the period	-	-	4,209,220	4,209,220
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>145,000,000</b>	-	<b>8,376,516</b>	<b>153,376,516</b>
<b>Balance as at 1 July 2019</b>	<b>145,000,000</b>	-	<b>8,376,516</b>	<b>153,376,516</b>
Surplus/(deficit) for the period	-	-	4,216,928	4,216,928
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>145,000,000</b>	-	<b>12,593,444</b>	<b>157,593,444</b>
<b>Balance as at 1 July 2020</b>	<b>145,000,000</b>	-	<b>12,593,444</b>	<b>157,593,444</b>
Surplus/(deficit) for the period	-	-	2,656,382	2,656,382
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>145,000,000</b>	-	<b>15,249,826</b>	<b>160,249,826</b>
<b>Balance as at 1 July 2021</b>	<b>145,000,000</b>	-	<b>15,249,826</b>	<b>160,249,826</b>
Surplus/(deficit) for the period	-	-	2,807,355	2,807,355
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2022</b>	<b>145,000,000</b>	-	<b>18,057,181</b>	<b>163,057,181</b>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND****Reports and Financial Statements****For the year ended June 30, 2022.****16.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2022**

	Note	FY2021/2022	FY2020/2021
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Transfer from repayment account			
Interest received		2,974,238	3,334,161
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>2,974,238</b>	<b>3,334,161</b>
<b>Payments</b>			
Fund administration expenses		-	-
General expenses	8	913,610	1,471,020
Finance cost		-	-
<b>Total Payments</b>		<b>913,610</b>	<b>1,471,020</b>
<b>Net cash flows from operating activities</b>		<b>2,060,628</b>	<b>1,863,141</b>
<b>Adjustment Net Increase/Decrease in Receivables</b>		<b>-</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from loan overpayments		-	-
Proceeds from loan principal repayments		38,578,852	30,216,267.89
Loan disbursements paid out		-28,500,000	-6,800,000.00
<b>Net cash flows used in investing activities</b>		<b>10,078,852</b>	<b>23,416,267.89</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,139,479</b>	<b>25,279,409</b>
<b>Prior year adjustment</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 JULY	11	36,890,548	11,611,140
<b>Cash and cash equivalents at 30 JUNE</b>	<b>11</b>	<b>49,030,028</b>	<b>36,890,548</b>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

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**17.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2022.**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022	2022	2022	2022	2022	2022
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-	-
Interest income	3,550,000.00	-	3,550,000.00	3,720,965	(170,965)	-
Other income - TRANSFER FROM REPAYMENT ACCOUNT	50,000,000.00	-	50,000,000.00	34,965,700	15,034,300	-
<b>Total income</b>	<b>53,550,000.00</b>	<b>-</b>	<b>53,550,000.00</b>	<b>38,686,665</b>	<b>14,863,335</b>	<b>-</b>
<b>Expenses</b>						
Fund administration expenses	1,759,000.00	-	1,759,000.00	913,610	845,390	-
Staff cost	-	-	-	-	-	-
General expenses	-	-	-	-	-	-
Finance cost	12,000.00	-	12,000.00	-	12,000	-
Loan disbursements	41,000,000.00	-	41,000,000.00	28,500,000	12,500,000	-
Overpayments reimbursements	1,102,209.00	-	1,102,209.00	212,649	889,560	-
<b>Total expenditure</b>	<b>43,873,209</b>	<b>-</b>	<b>43,873,209</b>	<b>29,626,259</b>	<b>14,246,950</b>	<b>-</b>
<b>Surplus for the period</b>	<b>9,676,791</b>	<b>-</b>	<b>9,676,791</b>	<b>9,060,406</b>	<b>616,385</b>	<b>-</b>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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**18. Notes to the Financial Statements**

**1. General Information**

West Pokot County Executive Car Loan and Mortgage Fund is established by and derives its authority and accountability from West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016. The Fund is wholly owned by the West Pokot County Government and is domiciled in Kenya. The fund's principal activity is to provide car and mortgage loans to its members.

**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 Kenyan shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied in all the years presented.

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

**3. Adoption of new and revised standards**

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

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of the Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in the scope of the guidance. The model develops a strong link between the Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Fund’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

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Standard	Effective date and impact:
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**  
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Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>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 fewer costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale are to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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

**WEST POKOT COUNTY CAR LOAN AND MORTGAGE FUND**

**Reports and Financial Statements**

**For the year ended June 30, 2022.**

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**1. Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

Transfers from other government entities

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on 4<sup>th</sup> October 2021. There were no subsequent revisions or additional appropriations made to the approved budget.

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

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.

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***Summary Of Significant Accounting Policies (Continued)***

**c) Property, plant and equipment**

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

**d) Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**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 Fund 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

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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.

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***Summary Of Significant Accounting Policies (Continued)***

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has a positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with 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 Fund assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an 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 have 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 an 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 Fund 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.

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

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

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

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***Contingent liabilities***

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

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***Summary Of Significant Accounting Policies (Continued)***

***Contingent assets***

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**d) Nature and purpose of reserves**

The Fund did not create or maintain reserves in terms of specific requirements.

**e) Changes in accounting policies and estimates**

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

**f) Employee benefits – Retirement benefit plans**

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

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

**g) Foreign currency transactions**

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

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***Summary Of Significant Accounting Policies (Continued)***

**h) Borrowing costs**

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

**i) Related parties**

The Fund 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.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at the 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 that were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The Fund is a County Public Fund established West Pokot County Car Loan and Mortgage Scheme Fund Regulations, 2016 under the County of West Pokot Its ultimate parent is the County Government of West Pokot.

**n) Currency**

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

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***Summary Of Significant Accounting Policies (Continued)***

**5. Significant judgments and sources of estimation uncertainty**

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

State all judgments, estimates and assumptions made

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

There were no Provisions raised and management determined an estimate based on the information available.

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**14. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Provide brief explanation for this revenue)

**2. Transfers from County Government**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**3. Fines, penalties and other levies**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**4. Interest income**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from loans(mortgage or car loans	3,720,965	4,127,402
<b>Total interest income</b>	<b>3,720,965</b>	<b>4,127,402</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Other income**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	<b>-</b>	<b>-</b>

**6. Employee Costs**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Use of Goods and Services**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	74,000
Administration Fees	907,000	1,394,200
Committee Allowances	-	-
Bank Charges	6,610	2,820
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
General Office Expenses	-	-
Loan Processing Costs	-	-
<b>Total</b>	<b>913,610</b>	<b>1,471,020</b>

**8. Depreciation and Amortization Expense**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Property plant equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance costs**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**10. Gain/(loss) on disposal of assets**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Cash and cash equivalents**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account-01141694710300 - MAIN ACCOUNT	8,222,895	194,383
01141694710301 - REPAYMENT ACCOUNT	40,807,133	36,696,165
<b>Total cash and cash equivalents</b>	<b>49,030,028</b>	<b>36,890,548</b>

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

Financial institution	Account number	Account number	FY2021/2022	FY2020/2021
			KShs	KShs
<b>a) Fixed deposits account</b>				
Kenya Commercial bank			-	
Equity Bank, etc.			-	
<b>Sub- total</b>			-	
<b>b) On - call deposits</b>				
Kenya Commercial bank			-	
Equity Bank - etc.			-	
<b>Sub- total</b>			-	
<b>c) Current account</b>				
Cooperative Bank of Kenya				
Main Account	01141694710300		8,222,895	194,383
Repayment Account	01141694710301		40,807,133	36,696,165
<b>Sub- total</b>			<b>49,030,028</b>	<b>36,890,548</b>
<b>d) Others(specify)</b>				
Cash in transit			-	
Cash in hand			-	
<b>Sub- total</b>			-	
<b>Grand total</b>			-	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12.Receivables from exchange transactions**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>-</b>	<b>-</b>
<b>Non Current receivables</b>		
Long term loan repayments due	115,796,630	122,391,789
<b>Total Non current receivables</b>	<b>115,796,630</b>	<b>122,391,789</b>
<b>Total receivables from exchange transactions</b>	<b>115,796,630</b>	<b>122,391,789</b>

**Additional disclosure on interest receivable**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>	<b>-</b>	<b>-</b>
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

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**13. Prepayments**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid - loan over recoveries	1,769,478	1,249,248
Prepaid insurance	-	-
Prepaid electricity costs	-	-
<b>Total</b>	<b>1,769,478</b>	<b>1,249,248</b>

**14. Inventories**

<b>Description</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. Property, plant and equipment**

	<b>Land and Buildings</b>	<b>Land and Buildings</b>	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Depreciation And Impairment</b>					
<b>At 1<sup>st</sup> July 2020</b>	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-
<b>At 1<sup>st</sup> July 2021</b>					
Depreciation	-	-	-	-	-

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Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
<b>Net Book Values</b>	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>					
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-
	-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Intangible assets**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**17. Trade and other payables from exchange transactions**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Trade payables-Loan over recoveries	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**18. Provisions**

Description	Leave provision	Leave provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilized	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
<b>Total provisions</b>	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Borrowings**

Description	FY2021/2022	FY2020/2021
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

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

	FY2021/2022	FY2020/2021
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from organisation'	-	-
Sterling Pound denominated loan from organisation'	-	-
Euro denominated loan from organisation'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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

Description	FY2021/2022	FY2020/2021
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20. Employee benefit obligations**

Description	Defined benefit plan	Defined benefit plan	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**21. Cash generated from operations**

	FY2021/2022	FY2020/2021
	KShs	KShs
<b>Surplus for the year before tax</b>	-	-
<b>Adjusted for:</b>		
Depreciation		-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have the 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 is related to the following entities:

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

**b) Related party transactions**

	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**d) Due from related parties**

	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**e) Due to related parties**

	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**23. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	<b>FY2021/2022</b>	<b>FY2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
Court case against the Fund	-	-
Bank guarantees	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**Other Disclosures Continued**

**1. 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 program focuses on the unpredictability of changes in the business environment and seeks to minimize 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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	2,090,715	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>2,090,715</b>	-	-	-

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

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uncollectible amounts that the entity has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Fund has a significant concentration of credit risk on amounts due from beneficiaries.

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

**b) Liquidity risk management**

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

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.

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

**c) Market risk**

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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**i. Foreign currency risk**

The fund has no 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.

**Foreign currency sensitivity analysis**

The following table demonstrates the effect of the Fund's statement of financial performance on applying the sensitivity for a reasonably 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.

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

**ii. Interest rate risk**

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

**Management of interest rate risk**

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

**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

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sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

**d) Capital risk management**

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

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Revolving fund	145,000,000	145,000,000
Accumulated surplus	15,249,826	12,593,444
<b>Total funds</b>	<b>160,249,826</b>	<b>157,593,444</b>
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>-</b>	<b>-</b>

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**15. PROGRESS ON FOLLOW-UP OF PRIOR YEAR AUDITOR'S**

**RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Irregular Training Expenses	i) Management retrieved the payment voucher and provided it to the auditor for review. It was confirmed that the voucher was fully authorized and examined.	Resolved	September 2021
		ii) The participants obtained travel authorizations as shown in the Safari notice	Resolved	September 2021
		iii) per diems were paid on cash because none of the participants had accounts with Cooperative Bank, however going forward all perdiems have been paid directly to the participant's bank accounts.	Resolved	November 2021
		iv) Work tickets were not availed because participants used their private vehicles. County government vehicles will be availed to the committee members	Resolved	September 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>for all future meetings.</p> <p>v) The conference facility was single sourced hence no additional quotations were available. Going forward the committee will obtain quotations from at least three (3) vendors and conference fees will be paid after an invoice has been raised by the service provider.</p>		
2.0	Non-Performing Loans	<p>i)The management recalculated the loan statements for all members based on reducing balance as opposed to straight line method. This resulted in some members having outstanding balances.</p>	Resolved	August 2021
		<p>ii) The Committee issued demand notices to all who had loan balances and has taken further action on defaulters as per the attached copy of minutes of the committee held August 30<sup>th</sup>, 2021 and copies of demand letters to all defaulters as listed above. Management will continue to follow up all defaulters and</p>	Resolved	August 2021

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
		institute legal action as appropriate		
9.3	Lack of supporting documents for loan applications	i)The management has put in place measures to enhance reliability of the application process by introducing new loan application forms with additional requirements to ensure security of the loans, like valuation of property, copy of designs, and bill of quantities, search and titles of equivalent values. ii)the Committee has obtained the copies of designs and BQ's from Lucy Chepkumun and Fobian Masheti.	Resolved	August 2021
9.4	Irregularities in Loans Advanced	i)The loan advanced to Edna Krop was as per the request from the beneficiary and this is documented in the minutes for disbursement. The loan application form attached in the file was the originally filled form before the request for top up loans	Resolved	November 2021
		The management has now instituted measures to ensure that all loan	Not Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>applications are accompanied by official search of title of the property and a certified copy of the sale agreement relating to the land where applicable. The committee has issued a demand letter to H.E Nicholas Atudonyang through a letter dated 12<sup>th</sup> August 2021</p>		
		<p>H.E Kachapin Simon was issued a demand letter and has since instructed LAPFUND that his gratuity dues be submitted to the Car Loan and mortgage fund repayment account</p>	Resolved	March 2022
11.0	Implementation of Oversight Bodies Recommendations	<p>The management abides by laws governing funds and is committed in ensuring that all reports are forwarded to the relevant bodies as mandated, the report for financial year 2020/21 was submitted to the County Assembly and the Audit Committee. Due to inadequate staff capacity in the County, there was an oversight in the submission of the</p>	Resolved	September 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
		relevant reports for the previous financial years		