

REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

**COUNCIL OF GOVERNORS MORTGAGE
AND CAR LOAN FUND**

FOR THE YEAR ENDED

30 JUNE, 2023

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 11 MAR 2025

DAY.

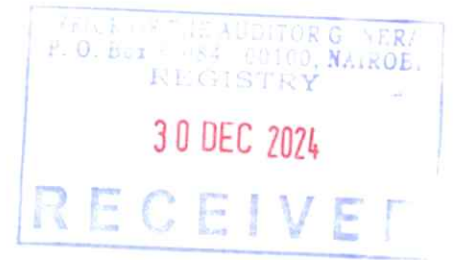
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TABLED
BY:

Hon. Owen Baya M.P.
Deputy majority leader.

CLERK-AT
THE-TABLE:

Gertrude Chebet



COUNCIL OF GOVERNORS

**COUNCIL OF GOVERNORS
MORTGAGE AND CAR LOAN FUND**

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

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

Table of Contents	Page
1. Abbreviations, Acronyms and Glossary of Terms.....	ii
2. Key Fund information and management	iii
3. Fund Administration Committee	vii
4. Management Team	xiii
5. Chairman’s Report.....	xiv
6. Report of the Fund Administrator.. ..	xv
7. Statement of Performance Against Predetermined Objectives.....	xvi
8. Corporate Governance Statement	xvii
9. Management Discussion and Analysis	xx
10. Environmental and Sustainability Reporting	xxi
11. Report of The Fund Administration Committee.....	xxii
12. Statement of Management’s Responsibilities.....	xxiii
13. Report of the independent Auditor for the Financial statements of Council of Governors Mortgage and Car Loan Fund.	xxv
14. Statement of Financial Performance for the year ended 30th June 2023.	1
15. Statement of Financial Position as at 30th June 2023.	2
16. Statement of Changes in Net Assets for the year ended 30th June 2023.....	3
17. Statement of Cash Flows for the year ended 30th June 2023.....	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023.	5
19. Notes to the Financial Statements	6
20. Annexes.....	26

1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Glossary of Terms

Fiduciary management- Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

2. Key Fund information and management

a) Background information

Council of Governors Mortgage and Car Loan Fund is established Pursuant to Salaries and Remuneration Commission Circulars Referenced; SRC/ADM/CIR/1/13 VOL.III of 17th December 2014 and SRC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL III (142) on 25th August 2015 all of which set and advised on the establishment of Mortgage and Car Loan Schemes for both state and other public officers. The Fund is wholly owned by Council of Governors and is domiciled in Kenya. The Council of Governors operationalized the Mortgage and Car Loan scheme through internal guidelines approved by the Council in the year 2020.

b) Principal Activities

The funds objective is to provide loan facility to Council of Governors staff to;

- a. Purchase of residential houses
- b. Residential home development
- c. Improvement of residential homes.
- d. Purchase of Motor vehicle for personal use

The Fund is administrator oversees the operations of the fund and the day to day operations of the fund. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

The key objective of the Council of Governors Mortgage and Car Loan fund are to;

1. Provide loan facility for purchase and Development of residential Houses
2. Provide loan facility for purchase of motor vehicles for personal use

c) Board of Trustees/Fund Administration Committee

The Fund administration committee members who held office during the financial year ending 30th June 2023 were:

Key Fund and Information Management (Continued)

SN	Position	Name
1.	Chairperson	Eugene Lawi
2.	Vice Chair Person	Meboh Abuor
3.	Committee Member	Carolyn Mage
4.	Committee Member	James Kamau
5.	Committee Member	Joyce Chepkoech
6.	Committee Member	Timothy Irungu
7.	Committee Member	Caroline Odandi
8.	Committee Member	Eunice Fedha
9.	Secretary	Evans Kipruto

d) Key Management

The Key management officers who held office during the Financial Year ending 30th June 2023 and who had direct fiduciary responsibility were;

SN	Position	Name
1	Fund Administrator	Mary Mwiti
2	Fund Chairperson	Eugene Lawi
3	Fund Secretary	Evans Kipruto

e) Fiduciary Oversight Arrangements

The Council of Governors has put in place an Audit Committee through which it oversees the secretariat. Members of the Audit Committee who held office during the financial year ended 30th June 2023 for fiduciary oversight were:

Key Fund and Information Management (Continued)

SN	Position	Name
1.	Chair Person	Ms. Catherine Omesete
2.	Member	Mr. Peter Saigilu
3.	Member	Ms. Tabitha Mwangi
4.	Member	Mr. Daniel Rucha
5.	Member	Mr. Patrick Owiti
6.	Secretary	Mr. Andrew Msungu

f) Registered Offices

P.O. Box 44404-00100
Delta Corner Building
Wayaki Way
Nairobi, KENYA

g) Fund Contacts

Telephone: (254) 020 240 3313/4
E-mail: info@cog.go.ke
Website: www.cog.go.ke

h) Fund Bankers

1. Housing Finance Corporation Bank
P.o Box 73340
Gill House
Nairobi, Kenya.

Key Fund and Information Management (Continued)


i) Independent Auditor

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

j) Principal Legal Adviser

Irine Ogamba
Director Legal Services
Delta Corner
P.O. Box 40404
Nairobi, Kenya

3. Fund Administration Committee

Name	Details of qualifications and experience
 <p data-bbox="145 663 644 696">Ms. Mary Mwiti –Fund Administrator</p>	<p data-bbox="719 315 1500 707">Mary Mwiti is an experienced and self-motivated Business Management & Corporate Governance professional bringing forth valuable industry expertise and a passion for prudent management. She is results oriented with a proven track record spanning over 20 years’ progressive experience in providing high level systems and services leadership for administrative functions, including human resource planning, budgeting, financial planning, program coordination and management.</p> <p data-bbox="719 730 1500 1122">Mwiti has extensive hands-on experience and exceptional success in conceiving, planning, developing and executing strategic administrative and operational initiatives that drive top-line performance and bottom-line results whilst providing guidance and direction in the implementation of the organization’s goals and work programmes. Special skills in creating and maintaining a pleasant work environment and ensuring high levels of organizational effectiveness is her strongest attribute.</p> <p data-bbox="719 1144 1500 1491">Scope of experience includes public, private and non-government sectors where she served in various capacities including; Currently as the CEO for Council of Governors, Director Corporate Services, Administration, Human Resource management, Operations Management, Customer Care Management, a Consultant and as a County Executive Member (CEC) of the County Government of Meru.</p> <p data-bbox="719 1514 1500 1659">Mwiti is articulate, self-driven, detail oriented and creative. She pursues integrity and commitment in all work engagements, approachable, open minded, confident and always willing to help.</p>



Mr. Eugene Lawi – Chairman- Fund Administration Committee

Eugene Lawi a highly articulate, confident and persuasive legal practitioner, with great interpersonal and communication skills. Currently he is the Senior Leg Officer.

He holds a bachelor’s degree from the University of Nairobi. His areas of practice include, public law, employment law and constitutional law with a specialty in advising County Governments and County Governors on matters concerning Devolution and Governance and any issues arising therefrom.

Eugene is passionate about constitutionalism with a keen interest in the devolution and decentralization of services as envisaged under the Kenyan Constitution

2010.

He has a diverse experience in public law having taken part in public interest litigation for the past 10 years in the areas of good governance, devolution of health services, devolution of energy amongst other matters.

Eugene is a member of the Law Society of Kenya and has taken part in various committees involved in legal reforms in the Republic of Kenya.







Ms. Meboh Abuor- Vice Chairperson Fund Administrator Committee

Meboh Abuor (Ms), is a Senior ASRH Program Advisor at the Council of Governors Secretariat, Nairobi. She holds a Master of Arts in Human Rights, Peace and Conflict from the University of Nairobi, Kenya and a Bachelor of Laws and Post Graduate Diploma in Legal Practice from Uganda. She is an advocate of the High Court of Kenya and Uganda with vast legal experience in the East African region.

Meboh has more than 12 years’ extensive experience in policy review/legislative development, Legal /Statutory Risk assessments and Devolution compliance in the sectors of energy/ renewable energy development, physical planning, environment, governance, health services development law among others.

Her key interests include public service with a focus on public administration and public policy and legislation

	<p>analysis, and human rights, as well as Public Health, Human Rights, Socio-Political Leadership and Devolve Governance. She has researched, presented papers in various fora and conferences in her areas of interest.</p>
 <p>Ms. Carolyne Mage-Fund Administration Committee</p>	<p>Human Resources Practitioner 18+ Years of Experience A seasoned HR professional with over 18 years of diverse experience in driving Public Sector and organizational effectiveness, talent management, and strategic human resources leadership. Expertise in developing and implementing comprehensive HR strategies aligned with Public Sector goals, extensive experience in Human Resources, specifically within County Governments. Proven ability to Develop and manage HR policies, lead high-impact initiatives in talent acquisition, employee relations, performance management, compliance, and learning & development. Adept at fostering a positive work environment, enhancing employee engagement, and cultivating a culture of continuous improvement. She has Master’s Degree in Public Administration from the University of Nairobi, Degree in Leadership and Management Strathmore University. Also she is an Associate Member IHRM - 16874 - Certification Body.</p>
 <p>Ms. Caroline Odandi - Fund Administration Committee</p>	<p>Caroline is a seasoned Certified Human Resource (CHRP) and Administration Management Professional with experience working collaboratively across organizational and cultural boundaries. Over 15 years, Caroline has developed expertise in HR, Administration, Project and Contract management, having worked both in Kenya and also collaborating with teams in East Africa. Caroline is a holder of Master in Business Administration(MBA) specializing in Human Resource Management and is a practicing member of the Institute of Human Resource Management. She is the current Head of the HR function at the Council with a great passion to mentor and coach young talent in the fields of Public Service HR Management, Leadership, Governance.</p>

 <p>Ms. Eunice Daritsu - Fund Administration Committee</p>	<p>Eunice is a project management specialist with over 15 years of experience in Strategic Management, Coordination, Planning, Building Partnerships, and performance management. Eunice has worked with the Council of Governors from 2013 and is currently coordinating devolution programmes for UNCEF at the Council while serving as a Principle Programme Officer Resource Mobilization and Partnerships. Prior to that, she worked at Dorcas Aid International as a programme officer for Sponsorship responsible for the Eastern and Southern Africa Region. She holds a Master's Degree in strategic management from PAC University and a bachelor's degree in Accounting from Daystar University. She also has a certificate in Management of Health Systems from Washington University and a Diploma in Human Resource Management from Kenya Institute of Management. Eunice is also serving as a member of the Public-Private Partnership Petitions Committee Tribunal. She is currently pursuing a PhD in Leadership and Governance at PAC University.</p>
 <p>James Kamau – Fund Administration Committee</p>	<p>James Kamau is a supply chain management specialist with over 10 progressive work experience in public procurement. He Hold a master of science degree in procurement and Logistics & a bachelor's degree in purchasing and supplies management both from Jomo Kenyatta University of science and Technology. Mr James has worked in several private companies and government entities. He is currently the principal supply chain management officer at council of Governors.</p>
	<p>Ms. Joyce Chepkoech has over ten (10) years progressive work experience and proven track records of performance in the public sector. She has Masters in Business Administration Degree on Strategic Management from the University of Nairobi and Bachelor of Commerce (Banking and Finance Option) from Egerton</p>



CPA Joyce Chepkoech - Fund Administration Committee

University. Ms Joyce is of is a Certified Public Accountant (CPA K) and a Member of Institute of Certified Public Accountants (ICPAK) and in good standing. She is currently the Principal Officer-Finance and Accounts and has previously held senior positions as a Senior Finance & Accounts officer and has been instrumental in setting up the structures for the department from the inception of the Council of Governors.



Mr. Evans Kipruto - Fund Administration Committee

Mr. Evans Kipruto is a physical planner with academic background in urban and regional planning. He obtained his undergraduate degree from the Technical University of Kenya, where he honed his skills and developed a deep understanding of the complexities of urban planning and regional planning.




Currently, Mr. Kipruto is pursuing a Master of Arts in Environment Planning and Management at the University of Nairobi. Mr. Kipruto's professional journey is marked by significant contributions to the field of land governance and urban development. He serves as a Technical Assistant to the Council of Governors under the Digital Land Governance Programme, a pivotal role where he lends his expertise to support the Lands, Housing, and Urban Development Committee, as well as the Roads, Infrastructure, and Energy Committee. His work directly impacts policy formulation and implementation at the highest levels of governance, ensuring sustainable land use and infrastructure development across Kenya.

Prior to his current role, Mr. Kipruto worked with the State Department of Lands, State Department of Public Works, and Ramani Geo Systems. Through these experiences, he has gained invaluable insights into diverse facets of land management, Architecture, infrastructure planning and development, and geographic information systems.

Mr. Kipruto's commitment to advancing the national agenda is evident through his active participation in various National Taskforces and Technical Committees. He

	<p>has made significant contributions to key initiatives such as the National Taskforce on the review of land survey policy, institutional, and legal frameworks, the National Technical Working Group on Affordable Housing, and the Nuclear Power Energy 2022-2027 country programme framework. His involvement in the Kenya Construction Industry Outlook underscores his dedication to shaping the future trajectory of infrastructure development in the country.</p> <p>With his blend of academic expertise, practical experience, and dedication to public service, Mr. Evans Kipruto continues to be a driving force in the pursuit of sustainable urban development and land governance in Kenya.</p>
 <p>Mr. Timothy Irungu - Fund Administration Committee</p>	<p>Mr Timothy Irungu is a dedicated and results-driven Transport Manager with over 10 (ten) years of experience in logistics and transportation management. Proven expertise in optimizing transport operations, reducing costs, and enhancing service efficiency and ensuring compliance with industry regulations. Mr Irungu has strong leadership skills with a focus on safety, compliance, and customer satisfaction. Mr Timothy Irungu is currently working for the Council of Governors as the transport Manager and has shown commitment to improving service delivery and customer satisfaction.</p>

4. Management Team

Name	Details of qualifications and experience
 <p>Ms. Mary Mwiti-Fund Administrator</p>	<p>A fund administrator facilitates management and operation of the mortgage and car loan funds. This includes the day to day operations of the fund, ensuring compliance, accuracy, risk management, cash flow management, tax administration and ensure employee satisfaction.</p>
 <p>CPA Joyce Chepkoech - Fund Accountant</p>	<p>A fund accountant is responsible for managing and overseeing the financial aspects of the scheme funds. Ensure accurate reporting, financial integrity and operation of scheme funds.</p>
 <p>Evans Kipruto -Secretary</p>	<p>A fund secretary facilitates administration and coordination, record keeping, documentation, communication, compliance and member support and services for the fund .</p>

5. Chairman's Report

The Council of Governors appreciates the Counties for their support towards establishment of the Staff Mortgage and Car Loan Scheme which was operationalized in 2020. The establishment has been designed with the well-being and financial security of our employees in mind, aiming to provide them with affordable and accessible options for home ownership and vehicle purchase. The establishment resonates with the governments agenda to provide affordable housing and the schemes went a long way in achieving this agenda.

During the third year of implementation of the mortgage and car loan fund, the fund has not received additional resources and has since operated on revolving fund. As at 30th June 2023, the financing received from the inception of the fund was Kenya Shillings one hundred fifteen million only. Out of which additional six (6) applications were processed and disbursed bringing the cumulative allocations to twelve (12).

The committee continues to work closely to ensure that the fund is operational and with sufficient funding. I want to thank the fund manager and Administration Committee for their commitment to actualize the intended objective of the scheme.

Signed:  _____

Eugene Lawi
Chairperson, Fund Administration Committee
Date: 25/09/2024.

6. Report of the Fund Administrator

I am pleased to present the Financial statements for the year ended 30th June 2023, in compliance with Section 84 (2) of the Public Finance Management 2012. The objective of the Staff Mortgage is to offer eligible employees the opportunity to secure financing for home purchases at competitive interest rates and with flexible repayment options. Similarly, the Car Loan scheme provides employees with access to financing for vehicle purchases, whether new or used. With favourable terms and efficient processing, the Council strive to make vehicle ownership more accessible and affordable for the valued staff members.

The Council of Governors engaged Housing Finance Corporation limited to manage the fund. During the financial year 2022/2023, one (1) staff members were facilitated to purchase owner occupier houses and two (2) staff members facilitated with purchase of motor vehicle. The beneficiaries of the facility have continued to service their loans as contained in the Financial statement.

Further, in the administration of the fund, the Council has maintained adequate financial management controls to ensure compliance, transparency and accountability. The measures were aimed at making sure that the funds are utilised prudently and proper accounting records maintained. The financial statements have been prepared in accordance to Public Sector Accounting standards (IPSAS) and represents a true and fair view of the state affairs of the fund for the period under review.

As the Accounting officer and fund Administrator, I confirm the completeness of the accounting records maintained for the fund which I have relied upon in the preparation of the financial statements.

Finally, I confirm that in preparing the financial statements, I have assessed the fund's ability to continue as a going concern and nothing has come to my attention to indicate that the fund will not remain a going concern for at least the next twelve months from the date of this statement.

Signed: _____



Ms. Mary Mwiti

Fund Administrator

Date: 25/09/2024.

7. Statement of Performance Against Predetermined Objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund’s performance against predetermined objectives.

The objectives of the Council of Governors Mortgage and Car loan fund are to:

1. Provide loan facility for the purchase and development of residential houses
2. Provide loan facility for purchase of motor vehicles for personal use.

To achieve the intended objective for the facility as stated, the objectives were made specific, measurable, realistic and time-bound and converted into fund outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. Below is the progress on attaining the stated objectives;

Fund Name	Objective	Outcome	Indicator	Performance
Council of Governors Mortgage and Car Loan	To provide loan facility for purchase and development of residential houses and purchase of motor vehicle for personal use	Affordable descent housing for staff and ease of transport to work	No of staff advanced loan facility to purchase residential houses and cars for personal use	In the Financial year 2022/2023, four officers accessed loan to purchase residential homes, one officer for development and one officer for plot purchase.

8. Corporate Governance Statement

The Council of Governors is committed to implementing good corporate governance principles and adheres to integrity, high ethical values and professionalism in all of its activities. The Council Fund Committee is made up of 8 members out of which the Chair person, Vice Chair Person and Secretary are appointed among the members. During the period under review, the fund committee had eighth (3) meetings to deliberate on matters mortgage and car loan applications as well as monitoring of the performance of the fund. The roles and functions of the fund committee includes;

- i. Oversight and management of fund
- ii. Setting the strategic direction of the mortgage fund
- iii. Overseeing Loan Approval Process to ensure it aligns with the fund's policies and risk appetite.
- iv. Overseeing the fund's financial health, including budgeting, financial planning, and ensuring that the fund has adequate capital to meet its lending objectives while maintaining financial stability.
- v. Reviewing financial reports to monitor the fund's performance against its objectives and financial targets.
- vi. Ensuring that the mortgage fund complies with all relevant laws, regulations, and guidelines. This includes staying updated on regulatory changes that might affect the fund's operations and implementing necessary compliance measures.
- vii. Ensuring that regular internal and external audits are conducted to evaluate the fund's financial reporting, compliance with policies and procedures, and risk management practices.
- viii. Regularly reviewing the performance of the fund's management team and the fund itself to ensure that operational practices are efficient and aligned with the fund's objectives.

The Council of Governors fund committee is required to at least provide a report on the performance of the fund to the management of the Council. The committee are provided with the necessary resources to undertake their duties. Appropriate training is available to all members on appointment to the office and on an ongoing basis as required.

The fund Committee papers are supplied to members on time, in appropriate form and quality to facilitate effective deliberations. The fund committee have access to relevant information through the secretary to the fund committee.

The separation of the functions of the Council of Governors management and the Fund Administration Committee supports and ensures the independence of the funds committee

and management of the Council. The management of the Council implements the resolution of the Council. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the Council management and the Fund Committee roles.

The Council has one standing committees: Audit Committee. The committee has formal and approved terms of reference. The board periodically reviews the terms of reference for the committee to ensure they are in line with current legislation and best practice. The committee is provided with all necessary resources to enable it to undertake its duties effectively

Functions of the Audit Committee;

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors and external auditors, as appropriate. The responsibilities and role of the Audit Committee fall under four categories:

1. **Risk management and internal controls;**
 - Review and assess the organization risk management process and the adequacy of the overall control environment;
 - Review reports on internal audits conducted from the Internal Audit and ensure appropriate action is taken to address any weaknesses identified;
 - Receive reports from the Internal Audit, Risk Management on any fraud, material or not, that involves management or other employees who have a significant role in the organization internal controls;

2. **Financial reporting and disclosure matters**
 - Review the published financial statements and recommend their approval to the Council;
 - Review and discuss with management and the external auditor any significant events or transactions affecting the Council's financial reporting;
 - Consider findings from the external and internal auditors on material weaknesses in accounting and financial control systems.

3. **External auditor oversight responsibilities**
 - Review the independence, objectivity and effectiveness of the external auditor including their quality control procedure and steps taken to respond to changes in regulatory and other requirements;
 - Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the non-impairment of the auditor's judgement and independence;

- Review and discuss with management and auditors the preliminary results, interim information and annual financial statements.

4. Internal audit oversight responsibilities

- Oversee the activity and credentials of the Council's internal audit division, including a review of the internal audit charter, code of ethics, plans, resource requirements, staffing and organizational structure;
- Consider the appointment, replacement or dismissal of the director of internal audit and make recommendations to the Council;
- Approve the annual audit plan ensuring its consistency with the Council's strategic plan; • Receive reports on the status of significant findings, recommendations and management's responses.

9. Management Discussion and Analysis

During the Financial Year 2022/2023, the Council of Governors Car and Mortgage did not have any additional funding to the scheme, however, the revolving fund already established was sufficient to facilitate new request in the year under review.

The Council of Governors staff continues to enjoy the scheme where there were additional three (3) applications in the year which were concluded and processed. Two other applications were pending processing and were therefore carried forward to the next financial year.

The Council envisage that in the next financial year, there shall be an increase in uptake of the schemes as the revolving fund also grows. However, the bank has continued to facilitate staff who had previously applied for the loans and area at various stages of conveyance.

As from inception of the scheme to June 2023, the total number of staff that have accessed the facility are as follows; Eight (8) applications for purchase of owner occupier, one (1) for construction owner occupier and two (2) plot purchase and five (5) applications for motor vehicle purchase. Two (2) applicants are pending processing and at different stages of conveyance.

10. Environmental and Sustainability Reporting

The Council of Governors Mortgage and car loan fund is accountable to its stakeholders in achieving its mandate. The fund administrator acknowledges the responsibility to the environment and the local communities in which we operate/exist. We embrace responsibility for corporate actions and to encourage a positive impact on the environment and the stakeholders including but not limited to our citizens, employees, partners and existing communities.

The fund Administrator encourages all stake holders to recognise those responsibilities and behave in a responsible manner towards the society. It also Address stakeholder concerns and inquiries related to environmental performance and sustainability practices.

The fund Administrator does assessment and measurement of an organization's activities, processes, and impacts on the environment. This includes environmental management, resource utilization, pollution prevention, and sustainability practices. The funds aim at minimizing any harmful effects and consider the development and implementation of environmental standards to be of great importance.

The fund's success is largely depended on the Council of Governors human Capital. We recognise the need to have well-being, health, safety, and overall quality of life of employees within an organization. The fund provides necessary support system on various initiatives, policies, and practices implemented by employers to support and enhance the physical, mental, and emotional health of their workforce.

We train employees to value each other and have put in place a system that encourages cultural diversity. Further, we have upheld gender parity and have given opportunity to people with disability and from the minority groups of our society.

11. Report of The Fund Administration Committee

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are providing loan facility to staff for purchase and development of residential houses and purchase of motor vehicles for personal use.

Performance

The performance of the Fund for the year ended June 30, 2023, is set out on page one (1).

Fund Administration Committee

The members of the Administration Committee who served during the year are shown on page iii and iv of this report.

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.

Signed:



.....

Eugene Lawi

Chairperson, Fund Administration Committee

Date: 25/09/2024

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established pursuant to circulars referenced: SRC/ADM/CIR/1/13/1/3 VOL.III (128) OF 17th December 2014; SRC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL.III (142) of 25th August 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.


The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Fund's financial statements were approved by the Fund Administration Committee on 25th September 2024 and signed on its behalf by:



Mary Mwiti
Chief Executive Officer



Joyce Chepkoech
Principal Finance & Accounts Officer
ICPAK NO: 29569



Eugene Lawi
Chairperson of the Fund

REPUBLIC OF KENYA



Enhancing Accountability

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

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

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF GOVERNORS MORTGAGE AND CAR LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls developed, and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided under 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 Council of Governors Mortgage and Car Loan Fund set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section the financial statements present fairly, in all material respects, the financial position of the Council of Governors Mortgage and Car Loan Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Opening Balance

The statement of changes in net assets reflects a balance of Kshs.8,777,586 in respect of accumulated surplus which includes an opening balance of Kshs.7,301,646 as at 01 July, 2022. However, supporting documents for the opening balance of Kshs.7,301,646 were not provided for audit review. Further, the accumulated surplus balance of Kshs.8,777,586 was not supported with a disclosure Note to the financial statements.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the other information set out on page iii to xxiv which comprise of Key Entity Information and Management, Fund Administration Committee, Management Team, Chairman's Statement, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting,

Report of the Fund Administration Committee, and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

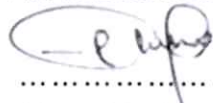
30 December, 2024

14. Statement of Financial Performance for the year ended 30th June 2023.

	Note	2022-2023
		Kshs.
Revenue from exchange transactions		
Interest income	6	1,736,400
Total revenue		1,736,400
Expenses		
Use of goods and services	7	260,460
Total expenses		260,460
Surplus/(deficit) before tax		1,475,940
Taxation		-
Surplus/ (Deficit) after Tax		1,475,940

The notes set out on pages six (6) onwards form an integral part of these Financial Statements.

The financial statements were approved on 25th September 2024 by:



.....
Marty Mwiti
Chief Executive Officer



.....
Joyce Chepkoech
Principal Finance & Accounts
Officer
ICPAK M/No: 29569



.....
Eugene Lawi
Chairperson of the Fund

15. Statement of Financial Position as at 30th June 2023

	Note	2022-2023
		Kshs.
Assets		
Current assets		
Cash and cash equivalents	8	66,434,649
Total Current Assets		66,434,649
Non-current assets		
Receivables from exchange transactions	15	57,342,937
Total Non-Current Assets		57,342,937
Total assets		123,777,586
Liabilities		
Current Liabilities		-
Non-current liabilities		
Total liabilities		-
Net assets		123,777,586
Mortgage and Car loan revolving fund	11	115,000,000
Accumulated surplus (Reserves)		8,777,586
Total net assets and liabilities		123,777,586

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Fund financial statements were approved on 25th September 2024 and signed by



Marty Mwititi
Chief Executive Officer



Joyce Chepkoech
Principal Finance & Accounts
Officer
ICPAK M/No: 29569



Eugene Lawi
Chairperson of the Fund

16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Mortgage & Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	115,000,000	7,301,646	122,301,646
Surplus/(deficit) for the period	-	1,475,940	1,475,940
Funds received during the year	-	-	-
As at 30 June 2023	115,000,000	8,777,586	123,777,586

17. Statement of Cash Flows for the year ended 30th June 2023

	Note	2022-2023 Kshs.
Cash flows from operating activities		
Receipts		
Interest received	6	1,736,400
Total receipts		1,736,400
Payments		
Use of goods and services	7	260,460
Total payments		260,460
Net cash flow from operating activities	10	1,475,940
Cash flows from investing activities		
Proceeds from loan principal repayments	12	13,118,209
Loan disbursements paid out	13	(14,930,000)
Net cash flows used in investing activities		(1,811,791)
Cash flows from financing activities		
Receipts into the mortgage & car loan revolving fund	11	-
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		(335,851)
Cash and cash equivalents at 1 July	8	66,770,500
Cash and cash equivalents at 30 June	8	66,434,649

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023.

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from Council of Governors	-	-	-	-	-	0%
Interest income on Bank Deposits	1,736,400	-	1,736,400	1,736,400	-	100%
Total Revenue	1,736,400	-	1,736,400	1,736,400	-	100%
Expenses						
Taxation	260,460	-	260,460	260,460	-	100%
Revolving Fund	-	-	-	-	-	0%
Expenditure	260,460	-	260,460	260,460	-	100%
Surplus for the period	1,475,940	-	1,475,940	1,475,940		

19. Notes to the Financial Statements

1. General Information

The Council of Governors Mortgage and Car loan fund is established by and derives its authority and accountability from the Circulars referenced: SRC/ADM/CIR/1/13 VOL.III of 17th December 2014 and SRC/ADM/CIR/1/13 VOL III (130) of 29th January 2015 and SRC/ADM/CIR/1/13 VOL III (142) on 25th August 2015. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to administer a mortgage and car loan scheme for members of staff to access loan facilities for purchase and development of residential houses; and

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act, (include any other applicable legislation), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

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

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that 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 cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. **Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year 2022/2023

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of

financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

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 for each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Significant Accounting Policies (Continued)

b. Budget information

The original budget for FY 2022/2023 was approved on 7th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriations to the budget following the governing body's approval. 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 accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented on page 5 of these financial statements.

c. Property, plant, and equipment (PPE)

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

Significant Accounting Policies (Continued)

d. Intangible assets

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

e. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition

f. Financial instruments

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

Significant Accounting Policies (Continued)

I. Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Significant Accounting Policies (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Significant Accounting Policies (Continued)

II. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g. Contingent liabilities

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

h. 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.

i. Nature and purpose of reserves

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

j. 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.

Significant Accounting Policies (Continued)

k. 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.

l. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Fund Managers, and Fund Accountant.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya (**remove if not applicable**) and at various commercial banks at the end of the financial year.

n. Comparative figures

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

o. Events after the reporting period

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

p. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Department of xxx/ State Corporation. Its ultimate parent is the Government of Kenya.

Significant Accounting Policies (Continued)

q. Currency

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

5. Significant judgments and sources of estimation uncertainty

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

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. 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. *(see 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 is based on the assessment of experts employed by the Fund
- 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

Notes to the Financial Statements (Continued)

6. Interest income

Description	2022-2023
	Kshs.
Interest Income on Bank Deposits	1,736,400
Total Interest Income	1,736,400

6b: Detail analysis of interest on income

Interest income from Bank on unallocated funds	
Description	Bank Statement - Kshs
8/7/2022	481,446
30/09/2022	392,486
31/12/2022	437,420
30/06/2023	425,048
Total	1,736,400

7. Use of Goods and services

Description	2022-2023
	Kshs.
Tax Charged on Interest Income	260,460
Total	260,460

8. Cash and cash equivalents

Description	2022-2023
	Kshs.
Council of Governors Mortgage Account:9783685079	66,434,649
Total Cash and Cash equivalents	66,434,649

8 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2022-2023
		Kshs.
Mortgage and Car Loan Fund		
Housing Finance Corporation Commercial Bank Account	9783685079	66,434,649
Sub- Total		66,434,649

Notes to the Financial Statements (continued)

9. Receivables from exchange transactions

Description	2022-2023		
	Kshs.		
Current Receivables			
9a) Current Loan Repayments Due		-	
Total Current Receivables		-	
Non-Current Receivables			
9b) Long Term Loan Repayments Due		57,342,937	
Total Non- Current Receivables		57,342,937	
Total Receivables		57,342,937	
Ageing analysis (receivable from exchange transactions)	2022-2023	%of total	%of total
Less than 1 year	-	0%	100%
Between 1-2 years	-	0%	0%
Between 2-3 years	-	0%	0%
Over 3 years	-	0%	0%

10. Net cash flows from operating activities

Description	2022-2023
	Kshs.
Surplus/ (deficit) for the year before tax	1,475,940
Adjusted for:	
Interest income	-
Working capital adjustments	
Increase in receivables	-
Net cash flow from operating activities	1,475,940

Notes to the Financial Statements (continued)

11. Revolving Fund

Description	2022-2023
	Kshs
Balances as at 1st July	115,000,000
Transfer from Council of Governors	-
Balances as 30th June 2021	115,000,000

12. Loan repayments

Description	2022-2023
	Kshs.
Mortgage Loan	13,118,209
Total	13,118,209

13. Loan disbursed

Description	2022-2023
	Kshs.
Loan disbursement paid out	14,930,000
Total	14,930,000

14. Current receivables from exchange transactions

Description	2022-2023
	Kshs.
Current loan receivables	-
Total	-

15. Long term receivables from exchange transaction

Description	2022-2023
	Kshs.
Long term loan receivable	57,342,937
Total	57,342,937

Notes to the Financial Statements (continued)

16. Financial risk management

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

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

a) Credit risk

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

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

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

Notes to the Financial Statements (continued)

Description	Total amount Kshs.	Fully performi ng Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023				
Current Receivables From Exchange Transactions-Car loans and mortgages	0	0	0	0
Long term receivables From Exchange Transactions-Car loans and mortgages	57,342,937	0	0	0
Bank Balances	66,434,649	0	0	0
Total	123,777,586	0	0	0

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

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

b) Liquidity risk management

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

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

Notes to the Financial Statements (continued)

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2023				
Trade Payables	0	0	0	0
Total	0	0	0	0

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

The Fund's Finance Department is responsible for the development of detailed risk management policies (*subject to review and approval by the 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.

d) 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.

Notes to the Financial Statements (continued)

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase by one percentage point as a decrease of Kshs.1,736,399 in the FY 2022/2023. A rate decrease in profit before tax of Kshs.1,736,399 in the FY 2021/2022 to Kshs.1,475,940 in the FY 2022/2023.

e) Capital risk management.

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

Description	2022-2023
	Kshs.
Revolving fund	115,000,000
Accumulated surplus (Reserves)	8,777,586
Total funds	123,777,586
Less: cash and bank balances	(66,434,649)
Net debt/(excess cash and cash equivalents)	57,342,937
Gearing	46%

17. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

Notes to the Financial Statements (continued)

- a) National government Fund
- b) Key management;
- c) Board of Trustees/Committee; etc.

b) Related party transactions

i. Transfers from related parties

Description	2022-2023
	Kshs.
Transfers from related parties	0

ii. Key management remuneration

Description	2022-2023
	Kshs.
Fund Management Compensation	0
Total	0

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

The Entity is a Fund under the sponsorship of Council of Governors entity which is a SAGA.

20. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

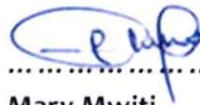
20. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

There was no follow up on the Auditor recommendations.


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Mary Mwiti

Chief Executive Officer

Date: 25/09/2024

