

REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	03/05/2023
TABLED BY	Gen. Majority whip
COMMITTEE	_____
CLERK AT THE TABLE	M. Adjuobabu

PARLIAMENT
OF KENYA
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OF

THE AUDITOR-GENERAL

ON

**NAROK COUNTY ASSEMBLY CAR LOANS,
GRANTS AND MORTGAGES FUND**

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





**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND
MORTGAGES SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

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NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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1. Key Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund Information and Management

a) Background information

Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund was established by and derives its authority and accountability from Public Finance Management Act, 2012 and Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund Regulations, 2021. The Fund is wholly owned by the County Assembly of Narok and is domiciled in Kenya.

The fund's objective is to facilitate the acquisition of car loans and mortgage schemes for Members of the County Assembly and staff of the Narok County Assembly to motivate them and retain the requisite services for the County Assembly Public Service.

The Fund's principal activity is to provide avenue through which Members of the County Assembly and staff would easily and affordably acquire properties thereby transforming their livelihoods. This would improve the members and staff motivation and retention for better service delivery to the people of Narok.

b) Principal Activities

The principal activity of the Fund is to provide car loans and mortgages to Members of County Assembly and Staff at affordable interest rate of 3%.

The mission of the Fund is to ensure its members have a consistent flow of funds to enable them undertake the activities mentioned above.

c) Car Loans, Grants and Mortgages Management Committee

Ref	Position	Name
1	Chairman of the Committee	Hon. Salankat Memusi Nchoe
2	County Assembly Majority Whip	Hon. Samwel Kiprotich Kositany
3	County Assembly Minority Whip	Hon. Julius Nanyokie Ole Munka
4	Ag.Clerk Assembly / Fund Administrator	Mr. Joseph Kasaine Lengeny

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d) Key Management

Ref	Position	Name
1	Fund Administrator	Mr. Joseph Kasaine Lengeny
2	Fund Accountant	CPA Peter Shakamae Tianta
3	Fund Secretary	Mr. Gideon Langat

e) Registered Offices

P.O. Box 19-20500
Narok County Assembly Building
Mau –Narok Road
Narok, KENYA

f) Fund Contacts

Telephone: (254) 02068889
E-mail: info@narokassembly.or.ke
Website: www.narokassembly.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O BOX 60000
City Square 00200
Nairobi, Kenya.
2. Access Bank PLC
P.O BOX 852-20500
Narok-KENYA
Narok Branch

h) Independent Auditors

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

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Nairobi, Kenya

i) Principal Legal Adviser

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

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND



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

2. Car Loans, Grants and Mortgages Management Committee


NAME	POSITION	QUALIFICATIONS
 <p>Hon. Salankat Memusi Nchoe</p>	<p>Fund Chairman</p>	<p>Born in 1972, Hon. Salankat Memusi Nchoe is the Deputy Speaker of Narok County Assembly. He holds a Bachelor’s Degree in Business Administration and has over 25 years’ experience spanning across both public and private sectors. Hon. Salankat Memusi Nchoe has Seven (7) years’ experience in County Governments’ legislation. He is the chair of Car loans, Grants and Mortgages Management Committee.</p>
 <p>Hon. Samwel Kiprotich Kositany</p>	<p>Committee Member</p>	<p>Born in 1978, Hon. Samwel Kiprotich Kositany is the Majority Whip at the Narok County Assembly. He holds a Bachelor’s Degree in Survey in land surveying and planning. Hon. Samwel Kiprotich Kositany has over 20 years’ experience in land survey and planning and has been involved in implementation of numerous projects across both the public and private sectors. He is a member of Car loans, Grants and Mortgages Management Committee.</p>

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 <p>Hon. Julius Nanyokie Ole Munka</p>	<p>Committee Member</p>	<p>Born in 1978, Hon. Julius Nanyokie Ole Munka is the Minority Whip at the Narok County Assembly. He holds a Diploma in Business Management with a working experience of over 16 years. He is a member of Car loans, Grants and Mortgages Management Committee.</p>
 <p>Mr. Joseph Kasaine Lengeny</p>	<p>Fund Administrator</p>	<p>Born in 1987, Mr. Joseph Kasaine Lengeny is the Ag.Clerk of the Narok County Assembly charged with full responsibility of administering the Fund. Mr. Lengeny holds a Bachelor's Degree in Human Resource Management and CPA IV with working experience of 13 years in the banking industry as well as the public sector.</p>

3. Management Team

NAME	POSITION	QUALIFICATIONS
 <p>Mr. Joseph Kasaine Lengeny</p>	<p>Fund Administrator</p>	<p>Born in 1987, Mr. Joseph Kasaine Lengeny is the Ag.Clerk of the Narok County Assembly charged with full responsibility of administering the Fund. Mr. Lengeny holds a Bachelor's Degree in Human Resource Management and CPA IV with working experience of 13 years in the banking industry as well as the public sector.</p>

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Annual Report and Financial Statements for the year ended June 30, 2022

	<p>Fund Accountant</p>	<p>Born in 1974, CPA Peter Shakamae Tianta is the Principal Finance officer of Narok County Assembly in charge of preparation of books of accounts.</p> <p>CPA Peter Shakamae Tianta holds a Bachelor's Degree in Finance and Accounts option, and is a Member of ICPAK. He is also a Certified Internal Auditor and a member of Institute of Internal Auditors of Kenya (IIA) with working experience of 23years in the public sector.</p> <p>At the Fund level, he is responsible for keeping all books of accounts and preparation of the annual report and financial statements of the fund.</p>
	<p>Fund Secretary</p>	<p>Born in 1989, Mr. Gideon Langat is the Narok County Assembly Principal Human Resource Management Officer in charge of the Fund's records. He holds a Bachelor's Degree in in Human Resource Management and CHRP (K) with working experience of 10 years in the public sector.</p> <p>At the Fund management committee level, he is the Secretary to the fund.</p>

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

4. Fund Management Committee Chairperson's Report

Narok County Assembly Car Loans, Grants and Mortgages Scheme fund was established through approval of the County Assembly. The fund derives its authority and accountability from Public Finance Management Act, 2012 and Narok County Assembly Car Loans, Grants and Mortgages Scheme fund Regulations 2021.

The fund was established as a revolving fund with the initial capital consisting of the monies appropriated by the County Assembly in the FY 2014/15 amounting to Kshs. 20 Million to operate as a revolving fund with an annual increase from the Assembly's budget based on anticipated credit needs projections, funds available as well as repayments from the beneficiaries.

During the financial year 2021/2022, the fund prepared the budget in accordance with section 135 of the Public Finance Management Act 2012 and later submitted to the County Assembly for considerations and approval. The budget was approved paving way for expenditure. The fund received an allocation Kshs. 60,000,000 in the budget which was not altered in the supplementary budget. The Narok County Assembly Car Loans, Grants and Mortgages Scheme fund has grown from a revolving fund of Kshs.20 Million in the FY 2014/2015 to a revolving fund with net value of Kshs.151,000,000 as at 30th June 2022.

In the financial year 2021/2022, Narok County Assembly Car Loans, Grants and Mortgages Scheme fund implemented the Salaries and Remuneration Commission's guidelines in issuance of car grants to Members of the County Assembly and as a result, a total of Kshs.55,800,000 was disbursed as grants thereby reducing the revolving fund by the same amount. Further, the Fund disbursed a total of Kshs.15,950,000 to Members of the County Assembly and staff resulting to a decrease in receivables from exchange transactions from Kshs. 205,718,779 in the previous year to Kshs.100,411,344 as at 30th June 2022. We are confident that the growth will be maintained into the future.

Signed: 

Hon. Salankat Memusi Nchoe

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Annual Report and Financial Statements for the year ended June 30, 2022

5. Report of the Fund Administrator

In the Financial Year 2021/2022, the revolving Fund increased from Kshs. 146,800,000 in the previous year to Kshs. 151,000,000. In addition, the fund implemented the recommendations/guidelines of the Salaries and Remuneration Commission referenced SRC/TS/COG/3/48/VOL.II (113) of 9 February 2021 on review of the car loan for the speaker and Members of County Assembly and disbursed Kshs.55,800,000 as car grants to the Members thereby reducing the Revolving Fund.

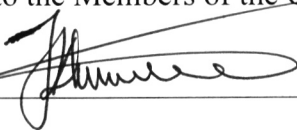
In the Financial year, the Management disbursed new loans valued at Kshs.15,950,000 as compared to Kshs.31,000,000 in the previous year representing a negative 48.55% growth. The interest earned on loans issued increased by Kshs.593,921 from Kshs.2,795,309 in 2021 to Kshs.3,389,230 in 2022. At the close of the year, the Fund had outstanding loans valued at Kshs.100,411,344 and Kshs.57,936,675 cash balance.

In administration of the fund, the main challenge is low budgetary allocation compared to the high number of Members of County Assembly and staff who are in dire need of the mortgage. However, the management of the fund has tried to work with the funds available and has developed a list of all pending applicants. The management has also put controls in place to ensure sequential disbursements on a 'first come – first beneficiary' basis. Going forward, there is need to enhance the allocation of the fund to attract a large number of beneficiaries.

It is the responsibility of the fund administrator to ensure that the fund is well managed and the funds advanced are properly accounted for.

Finally, we are confident that the fund will sustain the impressive performance in the foreseeable future which is prerequisite in meeting its goals and objectives of providing affordable loan products to the Members of the County Assembly and staff.

Signed: _____



Joseph Kasaine Lengeny

Fund Administrator.

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

6. Statement of Performance against the County Fund’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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board which includes a statement of the Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund’s performance against predetermined objectives.

The key development objectives of the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund 2021/2022 plan is to:

- Facilitate the acquisition of car loans and mortgage facilities for staff and Members of the County Assembly to motivate them and retain the requisite services for the County Assembly’s Public Service.

Progress on the attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
1. County Assembly Members’ Car Loan	To facilitate members of the County Assembly acquire personal motor vehicles for ease of movement.	Car loans of two million shillings to all the 48 MCAs.	Number of members issued with loans	During the year under review, all the members were issued with car grants amounting to Kshs.55,800,000 on recommendation by the Salaries and Remuneration Commission vide Circular referenced SRC/TS/COG/3/48/VOL. II(113) dated 9 February 2021.
2. Members of County Assembly and Staff Mortgages	To facilitate members of the County Assembly and staff with	Mortgage disbursement to all the eligible Members of County	Number of members and staff facilitated to acquire	All the 47 MCAS repaid car and Mortgage amount of Kshs.5 million by the end of 30 June 2022.

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

	funds to purchase,		residential property.	
	Construct or renovate residential property.	Assembly and staff.		Over twenty (20) members of staff already issued with mortgage funds as at 30 June 2022.
3. Collection of loan principal and interest repayments	To ensure that all the outstanding loan principal and interest are collected by the Fund.	Proceeds from the loan principal and interest repayments	The amount of proceeds collected in Comparison to the expected proceeds.	During the year ending 30 June 2022, the Fund collected a total of Kshs.61,851,356 and Kshs. 3,389,230 in form of principal repayments and interest earned respectively.

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

7. Corporate Governance Statement

• Committee Members

The members of Narok Assembly Loans and Mortgages Committee are as listed on pages v – vii of this report.

• Committee meetings held and those in-attendance

During the financial year 2021/2022, the members of Car Loans, Grants and Mortgages management Committee held 4 meetings with one (1) meeting held quarterly. In all the four meetings, all the committee members attended.

• Roles and Functions of the Car Loans, Grants and Mortgages Management Committee

Narok County Assembly Car Loans, Grants and Mortgages Scheme fund was established through approval of the County Assembly. The funds derives its authority and accountability from Public Finance Management Act, 2012 and Narok County Assembly Car Loans, Grants and Mortgages Scheme fund Regulations 2021. The roles and functions of the Committee are as stipulated in the Regulations and include general administration and management of the fund including:

- a) Making recommendations with respect to the conditions under which a loan and or a mortgage shall be granted or repaid under these regulations;
- b) Setting out the criteria and conditions governing the granting of loans and mortgages;
- c) Receiving and processing applications for the granting of loans and mortgages to Members of County Assembly subject to the provisions of any agreement relating to the provision of the loan and or mortgage;
- d) Formulating sound policies for regulating the management of the fund;
- e) To raise and solicit for funds and other assistance to promote the fund;
- f) To perform and exercise all other functions and powers conferred on the Committee by these Regulations.

• Conflict of Interest

To enhance integrity in the dispensation of the roles of the Committee, members are to avoid any conflict of interest or declare any conflict of interest. The management has designed a standard form to establish existence of any conflict of interest in conduct of the fund Committee's businesses. Where applicable, circumstances which may impair the members' compliance to the

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documented ethical requirements are disclosed by the respective members and communicated without any delay.

During the financial year 2021/2022, no such circumstance was noted or reported.

- **Remuneration of the Car Loans, Grants and Mortgages Management Committee**

Members of the Committee are remunerated as per the provisions of the Salaries and Remuneration Commission. The members are therefore only entitled to sitting allowances when meetings are held.

8. Management Discussion and Analysis

During the year the Fund portfolio increased from Kshs. 148,403,159 to Kshs. 154,958,789 representing a 4.42% growth rate. Additional new loans totalling Kshs. 15,950,000 were disbursed as compared to Kshs. 31,000,000 disbursed in the FY 2020/2021 which represents negative 48.55 % growth.

In the financial year under review, the Assembly received Kshs. 60 Million from the Exchequer where the entire amount was transferred to the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund on 1st July 2021. Interest Income earned from loans increased from Kshs. 2,795,309 in the Financial Year 2020/2021 to Kshs. 3,389,230 in the FY2021/2022. In conclusion the fund has registered some growth in net worth from Kshs. 20 Million in the first year of operation to Kshs 151 Million in the year under review.

As at 30th June, 2022, long term receivables from loans disbursed stood at Kshs. 94,361,570 against Kshs. 136,437,724 for the year ended 30th June 2021.

9. Environmental and Sustainability Reporting

Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund exists to motivate staff to reduce rate of staff turnover thus retaining skills in the labour force. Also, by offering loans at subsidized rates, it reduces strain for staff when taking up projects for personal development. Key factors on which the disbursement of the loans is anchored to:

1. Sustainability strategy and profile -

The Revolving Fund sustainability is assured through the existence of Fund Managers/Administrators – Access Bank who ensure that the loans taken up by staff act as collaterals whilst the beneficiaries can repay the loan without strain on their financial resources as per the requirement of the 1/3rd rule. A proportion of the Income interest is also lumped up with the Fund and marginally contribute to the growth of the Fund.

2. Employee welfare

Employee welfare is essential for sustainability in the implementation of County Programmes and projects. Disbursement of the loans at the favourable rates allow for personal development whilst removing hurdles that limit their disposable income.

3. Market place practices

The organisation did not carry out market place practices since it's not its core mandate.

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

10. Report of the Narok County Assembly Car Loans, Grants and Mortgages Management Committee

Narok County Assembly Car Loans, Grants and Mortgages Management 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.

Principal activities

The principal activity of the Fund is to grant car loans and mortgage loans to Members and staff of Narok County Assembly.

Results

Results of the Fund for the year ended June 30, 2022, are set out on pages 1– 37.

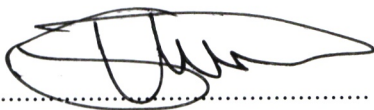
Trustees

The members of the Management Committee who served during the year are shown on pages v- vi. There were no changes in the Committee during the financial year under review.

Auditors

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

By Order of the Board



Hon. Salankat Memusi Nchoe

Chair of the Fund Management Committee

Date..... 30/01/23.....

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Narok County Assembly Car Loans, Grants and Mortgages Scheme fund established by Section 116 of the PFM Act, 2012 and Narok County Assembly Car Loans, Grants and Mortgages Scheme fund 2021 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of Narok County Assembly Car Loans, Grants and Mortgages Scheme fund accepts responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Administrator of the fund is of the opinion that the fund's financial statements give a true and fair view of the state of fund's transactions during the financial year ended June 30, 2022, and of the fund's financial position as at that date.

The Administrator further confirms 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.

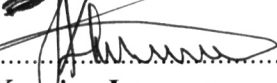
In preparing the financial statements, the Administrator of the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund has assessed the fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial 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 committee on 30/01/ 2022 and signed on its behalf by:

***NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Annual Report and Financial Statements for the year ended June 30, 2022

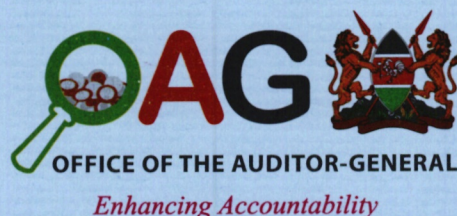

.....

Joseph Kasaine Lengeny

Administrator of the Fund

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 Narok County Assembly Car Loans, Grants and Mortgages Fund set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Narok County Assembly Car Loans, Grants and Mortgages 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 Narok County Assembly Car Loans, Grants and Mortgage Schemes Fund Regulations, 2021 and the Public Finance Management Act, 2012

Basis for Qualified Opinion

Revolving Fund

The statement of financial position reflects revolving Fund opening balance of Kshs.146,800,000 which differs with the opening balance of Kshs.206,800,000 indicated in the audited financial statements for 2020/2021 financial year resulting in a variance of Kshs.60,000,000 which has not been explained or reconciled.

In the circumstance, the accuracy of revolving Fund opening balance of Kshs.146,800,000 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Narok County Assembly Car Loans, Grants and Mortgage Schemes 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.

Emphasis of Matter

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.

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. Loans Due from Past Members of the County Assembly

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.94,361,570. The balance includes loans totaling to Kshs.26,679,252 owed by twelve (12) past Members of the County Assembly. This is contrary to Regulation 12 of the Narok County Assembly Car Loans, Grants and Mortgages Fund Regulations, 2021 which stipulates that Members of the County Assembly Shall repay the car loan and mortgage, at the latest, four months before the end of their legislative term.

The Management was in breach of the law and the recoverability of Kshs.26,679,252 due from past Members of the County Assembly is in doubt.

2. Non-Remittance of Fringe Benefit Tax

The statement of financial performance reflects interest income of Kshs.2,421,035 which is interest earned on loans issued to Members of the County Assembly. However, Management has not provided documentary evidence to confirm that the fringe benefit tax was recovered from the members and remitted to Kenya Revenue Authority as stipulated in Section 12B of the Income Tax Act.

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

3. Non-Conversion of Car Loans to Car Grants to Members of the County Assembly

The statement of changes in net assets reflects car grants to Members of the County Assembly (MCAs) balance of Kshs.55,800,000. However, the car grants were issued in addition to the existing loan facilities in breach Salaries and Remuneration Commission Circular referenced SRC/TS/COG/3/48/ VOL.II(113) which stipulates that the existing car loan be converted to transport facilitation benefit in form of car grant and the existing car loan to cease.

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

4. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects a final revenue and expenditure budget of Kshs.4,000,000 and Kshs.1,510,000 respectively resulting in an unbalanced budget. This is contrary to Section 149(2)(h) and (i) of the Public Finance Management Act, 2012 which requires the accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates to the County Executive Committee member for finance.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of a Risk Management Policy

During the year under review, the Fund did not have a risk management policy or strategy in place. The Fund, therefore, did not have approved processes and guidelines on how to mitigate operational, legal and financial risks. This was contrary to Section 158 of the Public Finance Management (County Government Regulations) 2015. As a result, the Management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure.

In the circumstance, the Management is not in a position to identify individual risks, significance areas, likelihood of occurrence of identified risks and the appropriate control measures.

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 the Management Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 sustain its services, disclosing, as applicable, matters related to

sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

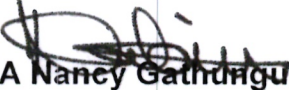
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 April, 2023

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

13. Statement of Financial Performance for the Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	3,389,230	2,795,309
Other Income	5		173,480
Total Revenue		3,389,230	2,969,789
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	1,033,600	3,435,182
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		1,033,600	3,435,182
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		2,355,630	(466,393)

(The notes set out on pages 20 to 37 form an integral part of these Financial Statements)

.....
Name: Joseph Kasaine Lengeny
Administrator of the Fund

.....
Name: CPA Peter Shakamae Tianta
Fund Accountant
ICPAK Member Number:21251

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

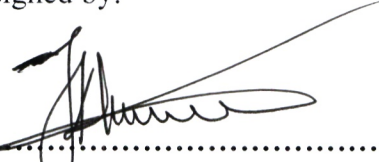
14. Statement of Financial Position as At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	57,936,675	5,479,689
Current Portion of Long- Term Receivables From Exchange Transactions	12	2,660,544	66,485,746
Prepayments	13	-	-
Inventories	14	-	-
		-	-
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	94,361,570	136,437,724
		-	-
Total Assets		154,958,789	208,403,159
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		-	-
Net Assets		154,958,789	208,403,159
Revolving Fund		151,000,000	206,800,000
Reserves		-	-
Accumulated Surplus		3,958,789	1,603,159
Total Net Assets and Liabilities		154,958,789	208,403,159

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/01/2022 and signed by:



.....
Name: Joseph Kasaine Lengeny
Administrator of the Fund



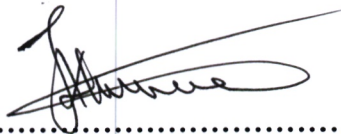
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**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

15. Statement of Changes in Net Assets for the Year Ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	190,000,000	-	2,069,552	192,069,552
Surplus/(Deficit) For the Period	-	-	(466,393)	(466,393)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Car Grants to MCAS	(43,200,000)			(43,200,000)
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	146,800,000	-	1,603,159	148,403,159
Balance As At 1 July 2021	146,800,000	-	1,603,159	148,403,159
Surplus/(Deficit) For the Period		-	2,355,630	2,355,630
Funds Received During the Year	60,000,000	-	-	60,000,000
Transfers	-		-	
Revaluation Gain	-	-	-	-
Car Grants to MCAS	(55,800,000)			(55,800,000)
Balance As At 30 June 2022	151,000,000	-	3,958,789	154,958,789



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**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

16. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government			-
Interest received		3,389,230	2,795,309
Receipts from other operating activities		-	173,480
Total receipts		3,389,230	2,968,789
Payments			
Fund administration expenses		1,033,600	3,435,182
General expenses			
Finance cost		-	-
Total Payments		1,033,600	3,435,182
Net cash flows from operating activities	21	2,355,630	(466,393)
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		61,851,356	60,000,000
Loan disbursements paid out		(15,950,000)	(31,000,000)
Net cash flows used in investing activities		45,901,356	29,000,000
Cash flows from financing activities			
Proceeds from revolving fund receipts		60,000,000	-
Additional borrowings		-	-
Car Grants to Members of County Assembly		(55,800,000)	(43,200,000)
Repayment of borrowings		-	-
Net cash flows used in financing activities		4,200,000	(43,200,000)
Net increase/(decrease) in cash & cash Equivalents		52,456,986	(14,666,393)

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

Cash and cash equivalents at 1 July	11	5,479,689	20,146,082
Cash and cash equivalents at 30 June	11	57,936,675	5,479,689



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NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2022

17. Statement of Comparison of Budget and Actual Amounts for the Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	-
Transfers From County Govt.	-	-	-	-	-	-
Interest Income	4,000,000	-	4,000,000	3,389,230	610,770	85%
Other Income	-	-	-	-	-	-
Total Income	4,000,000	-	4,000,000	3,389,230	610,770	85%
Expenses						
Fund Administration Expenses	1,510,000	-	1,500,000	1,033,600	476,400	68%
General Expenses	-	-	-	-	-	-
Finance Cost	-	-	-	-	-	-
Total Expenditure	1,510,000	-	1,510,000	1,033,600	476,400	68%
Surplus For The Period	2,490,000	-	2,490,000	2,355,630	134,370	95%

Note:

Interest income: Interest income is as a result of interest of 3% on loans issued and interest received from bank balances.

Fund Administration Expenses: This represents cost of Administration fee and Bank Charges paid to the fund administrator.

18. Notes to the Financial Statements

1. General Information

Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund was established by and derives its authority and accountability from Public Finance Management Act, 2012 and Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund Regulations, 2021. The Fund is wholly owned by the County Assembly of Narok and is domiciled in Kenya.

The Fund's objective is to facilitate the acquisition of a car or property for Members of the County Assembly and staff of the Narok County Assembly to motivate them and retain the requisite services for the County Assembly Public Service.

The Fund's principal activity is to provide avenue through which Members of the County Assembly and staff would easily and affordably acquire properties thereby transforming their livelihoods. This would improve the members and staff motivation and retention for better service delivery to the people of Narok.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

(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:
<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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund provides in its financial statements about social</p>

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

Standard	Effective date and impact
	<p>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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<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>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund.</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><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

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

SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 26th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. No additional appropriations are added to the original budget by the Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund upon receiving the respective approvals in order to conclude the final budget.

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

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

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

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

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

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

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme 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 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.

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund assesses at each reporting date whether there is objective evidence that a financial asset or Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund of financial assets is impaired. A financial asset or Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Narok County Assembly Car Loans, Grants and Mortgages Scheme 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.

***NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund.

c. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Fund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Narok County Assembly Car Loans, Grants and Mortgages Scheme 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

Narok County Assembly Car Loans, Grants and Mortgages Scheme fund creates and maintains reserves in terms of specific requirements.

e. Changes in accounting policies and estimates

The Narok County Assembly Car Loans, Grants and Mortgages Scheme 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 provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate 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 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.

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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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 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 Narok County Assembly Loan and Mortgage fund with the ability to exert control individually or jointly, or to exercise significant influence over the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund, 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 bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund is a County Public Fund established by PFM Act, 2012 and regulations, 2021, under the Narok County Assembly. Its ultimate parent is the County Government of Narok.

n. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations		-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	3,389,230	2,795,309
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	3,389,230	2,795,309

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND

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

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	173,480
Total Other Income	-	173,480

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Total	-	-

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	1,031,800	3,420,000
Committee Allowances	-	-
Bank Charges	1,800	15,182
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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Description	2021/22 Kshs.	2020/21 Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Total	1,033,600	3,435,182

8. Depreciation and Amortization Expense

Description	2021/22 Kshs.	2020/21 Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022 Kshs	2020-2021 Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022 Kshs	2020-2021 Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
FUND**

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

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	57,936,675	5,479,689
Total Cash And Cash Equivalents	57,936,675	5,479,689

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Access Bank	0160130000006	57,936,675	5,394,257
Access Bank	0160130000007	-	85,432
Sub- Total		-	5,479,689
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		57,936,675	5,479,689

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	3,389,230	2,795,309
Current Loan Repayments Due	2,660,544	66,485,746
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables	6,049,774	69,281,055
	-	
Non-Current Receivables	-	
Long Term Loan Repayments Due	94,361,570	136,437,724
Total Non- Current Receivables	94,361,570	136,437,724
Total Receivables From Exchange Transactions	100,411,344	205,718,779

Additional disclosure on interest receivable

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

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments	-	-
Total	-	-

**NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME
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14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements (Continued)

15. Property, Plant And Equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/Adjustments	-	(-)	-	(-)	(-)
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/Adjustments	(-)	-	-	(-)	(-)
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2020	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
At 30th June 2021	-	-	-	-	-
At 1st July 2021					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/Adjustment	-	(-)	(-)	-	-

NAROK COUNTY ASSEMBLY CAR LOANS, GRANTS AND MORTGAGES SCHEME FUND
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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 th June 2022	-	-	-	-	-
Net Book Values					
At 30 th June 2021	-	-	-	-	-
At 30 th June 2022	-	-	-	-	-

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

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

18. Provisions

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

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	(-)	(-)
Repayments Of Domestic Borrowings During the Period	(-)	(-)
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	2,355,630	(466,393)
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	(-)	(-)
Interest Income	(-)	(-)
Finance Cost	-	-
Working Capital Adjustments	-	-
Increase In Inventory	(-)	(-)
Increase In Receivables	(-)	(-)
Increase In Payables	-	-
Net Cash Flow From Operating Activities	2,355,630	(466,393)

Narok County Assembly Loan and Mortgage Fund
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Other Disclosures

22. Related party balances

a) Nature of related party relationships

Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund's and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

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

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

e) Due to related parties

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

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

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Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

24. 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Narok County Assembly Car Loans, Grants and Mortgages Scheme fund has significant concentration of credit risk on amounts due.

The Narok County Assembly Car Loans, Grants and Mortgages Scheme fund Management 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's short, medium and long-term funding and liquidity management requirements. The Narok County Assembly Car Loans, Grants and Mortgages Scheme 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.

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

Narok County Assembly Loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2022

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Narok County Assembly Car Loans, Grants and Mortgages Scheme 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 Narok County Assembly Car Loans, Grants and Mortgages Scheme 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 Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The Narok County Assembly Car Loans, Grants and Mortgages Scheme fund has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities	-	-	-

Narok County Assembly Loan and Mortgage Fund
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Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

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

ii. Interest rate risk

Interest rate risk is the risk that the Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Narok County Assembly Car Loans, Grants and Mortgages Scheme 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 sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign

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exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2022: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2021 – KShs 0)

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 Narok County Assembly Car Loans, Grants and Mortgages Scheme fund's capital structure comprises of the following funds:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	151,000,00	146,800,000
Accumulated surplus	3,958,789	1,603,159
Total funds	154,958,789	148,403,159
Total borrowings	-	-
Less: cash and bank balances	(57,936,675)	(5,479,689)
Net debt/(excess cash and cash equivalents)	97,022,114	142,923,470
Gearing	0%	0%

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19. Progress on Follow up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>The statement of financial performance reflects interest income of Kshs.2,795,309 as disclosed under Note 4 to the financial statements relating to the 3% interest on loans. However, the schedule on the computation of the interest was not availed for audit verification. Further, individual loan account statements/ledgers indicating the principal loan, interest payable and loan repayments were not availed for audit verification.</p> <p>Under the circumstances, the accuracy and completeness interest of</p>	<p>The fund is currently in the process of acquiring a loan management system and once acquired all the individual loan balances including interest will be automatically generated.</p>	Not Resolved	2020-2021

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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)
	income of Kshs.2,795,309 for the year ended 30 June, 2021 could not be confirmed.			
2	The Statement of financial position reflects cash and cash equivalents balance of kshs.5,479,689 being balances held in two (2) bank accounts. Five (5) bank accounts with opening balances of kshs. 20,146,082 as at oi July,2020 as reflected in Note 10 to the Financial Statements, were closed in the year under review but the bank reconciliation statements, Certificate of bank balances ,cash books and bank account closure instructions were not provided for audit verification.	The five bank accounts were closed and funds transferred to the main account during the year. Refer to the attached bank account closure certificates and bank statements indicating transfer of funds to the main account. The bank reconciliation statements, Certificate of bank balances, cash books and bank account closure instructions are available for audit verification.	Resolved	2020-2021
3	The statement of financial position reflects current portion of long-term receivables from exchange transactions figure of Kshs.66,485,746. However, the aging	The fund is currently in the process of acquiring a loan management system and once acquired all the individual loan balances including interest will be	Not Resolved	2020-2021

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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>analysis of the long-term receivables from exchange transactions reflecting the principal loan, amount receivable as repayments in form of principal and interest receivable in the next twelve (12) months.</p> <p>Under the circumstances, the validity, accuracy and completeness of the current portion of long-term receivables from exchange transactions figure of Kshs.66,485,746 as at 30 June, 2021 could not be confirmed.</p>	<p>automatically generated.</p>		
4	<p>The statement of financial position reflects long-term receivables from exchange transactions figure of Kshs.136,437,724</p> <p>However, loans ledgers and the aging analysis</p>	<p>The loans and mortgages management committee issued ksh.31,000,000 as additional loans as a result of insufficient budgetary provisions in the previous years .The Committee has ensured that no member is issued with loans exceeding</p>	Resolved	2020-2021

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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>and detailed schedule showing the principal loan, interest, repayments and the outstanding balance were not availed for audit verification. A record made available revealed that that fifty (50) members of the County Assembly owe the Fund principal loans totaling to Kshs.82,301,253 whose recoverability before the end of the Assembly's term as stipulated in Regulation 11 of the Narok County Assembly Loans and Mortgages Scheme Regulations, 2014 could not be confirmed.</p>	<p>kshs.5,000,000 as gazetted by the Salaries and remuneration commission. The loans and mortgages management committee has put controls in place to ensure that all outstanding balances at the end of the term of the assembly shall be fully deducted from the respective member's gratuities.</p>		
5	<p>The statement of comparison of budget and actual amounts reflects total revenue and expenditure final budget</p>	<p>The budget is not balancing as a result of the accrual nature of the fund. The public sector accounting standard board guidelines only require entities that prepare</p>	Resolved	2020-2021

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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>of Kshs.63,250,000 and Kshs.3,520,000 respectively. Though the Fund prepared a statement of comparison and actual amounts, the estimates of income and expenditure was not prepared and approved. Failure to prepare an annual budget is contrary to Section 149 (2) (h) and (i) of the Public Finance Management Act,2012 which requires the accounting officer to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates to the County Executive Committee member for finance.</p>	<p>their financial statements under cash basis of accounting to have balanced budgets. The variance of kshs,60,000,000 relates to transfers from the Narok County Assembly as evidenced in the attached copy of approved budget.</p>		
6	<p>During the year under review, The Management granted Kshs.43,200,000</p>	<p>The kshS.43,200,000 disbursed as grants to the members of county assembly has now been included in the</p>	Resolved	2020-2021

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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>to twenty (20) members of the County Assembly and the speaker as reflected in the statement of changes in net assets. However the car grants were issued in addition to the existing loan facilities in breach of Salaries and Remuneration Commission Circular referenced SRC/TS/COG/3/48/VOL .II(113) which stipulated that the existing car loan be converted to transport facilitation benefit in form of car grant and the existing car loan to cease. Consequently, the management is in breach of the law.</p>	<p>amended financial statements under revolving fund.(Refer to the copy of amended financial statements) It is true that the Loans and Mortgages Management Committee issued new funds as grant instead of converting the existing loans. This was occasioned by lack of proper conversion guidelines by Salaries and Remuneration Commission. In addition, it was approved by the County Assembly due to difficulties in conversions of the existing loans.</p>		
7	The statement of financial performance and Note 4 to the Financial Statements	It is true that the management have not submitted fringe benefit tax as required by section 12(b) of income tax authority. However, Kenya	Not Resolved	2020-2021

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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>reflects interest income of Kshs.2,795,309 being interest on loans issued to Members of the County Assembly. However, the Management did not provide any documentary evidence to confirm that fringe benefit tax was recovered from the members and remitted to Kenya Revenue Authority as stipulated in Section 12B of the Income Tax Act. Failure to remit the deductions to Kenya Revenue Authority is a breach of the law and may lead to the Fund incurring nugatory expenditure in form of penalties and interest.</p>	<p>Revenue Authority has recently carried out a comprehensive tax audit and we are awaiting the computed figures so as to remit the outstanding tax amounts.</p>		
8	<p>The Fund has not maintained loans and mortgage protection policy and fire policy</p>	<p>It is true that the fund has no approved loans and mortgages protection policy. However, The Loans and Mortgages Management</p>	Not Resolved	2020-2021

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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>against the advanced mortgages and car loans. This is contrary to Regulation 132 (1) (a) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer of a county government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate security threats and losses. Failure to maintain loans and mortgage protection policy and fire policy also implies that the Fund may not be able to recover the outstanding loan balances in case of any unforeseen occurrence or default in repayment.</p>	<p>Committee is currently in the process of coming up with a policy which is already at draft stage awaiting the county assembly approval.</p>		

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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)
	Under the circumstances, the Fund may not be able to recover the outstanding loan balance in case of any unforeseen occurrence or default in repayment of the loans by the beneficiaries.			

Guidance Notes:

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