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REPORT

OF

THE AUDITOR-GENERAL

ON

**SAMBURU COUNTY EXECUTIVE STAFF
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

PAPERS LAID	
DATE	24/03/2022
TABLED BY	JMK
COMMITTEE	-
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SAMBURU COUNTY EXECUTIVE MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



**Samburu County Executive Mortgage Scheme Fund
Reports and Financial Statements
For the year ended June 30, 2020**

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1. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

Executive Car Loans and Mortgage Fund is established by and derives its authority and accountability from Samburu County Executive Staff Mortgage Scheme Fund Act, 2016. The Fund is wholly owned by the County Government of Samburu and is domiciled in Kenya.

The fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide loan facility to members.

c) Fund Administration Committee

Ref	Name	Position
1	Mr. Moses Omondi	Chair Person
2	Ms. Lydia Letinina	Vice Chair Person
3	Mr. David Lesamana	Secretary
4	Mr. Tyson Lemako	Member
5	Mr. Samuel Nakope	Member
6	Mr. Marios Lerugum	Member
7	Eng. Wilson Maili Lekoomet	Member

d) Key Management

Ref	Name	Position
1	Mr. Moses Omondi	Chair Person
2	Ms. Lydia Letinina	Vice Chair Person
3	Mr. David Lesamana	Secretary

**Samburu County Executive Mortgage Scheme Fund
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e) Registered Offices

P.O. Box 3 – 20600
Samburu County Headquarters,
Maralal-Nyahururu Road,
Maralal, KENYA

f) Fund Contacts

Telephone: +254 065 62456, +254 65 62075

E-mail: info@samburu.go.ke

Website: www.samburu.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O. BOX 260
Maralal, Kenya
Branch: Maralal
Account No. 1169663966



h) Independent Auditors

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




i) Principal Legal Adviser

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

2. FUND MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Mr. Moses Omondi</p> 	<p>Mr. Moses Omondi Okeyo holds M.A. Planning and B.A. Urban and Regional Planning from University of Nairobi and Maseno University respectively with in-depth knowledge in spatial development planning, urban management, land administration, environmental planning and computer aided design platforms such as Geographical Information System. He is registered Physical Planner No. 280, corporate member of Kenya Institute of Planners (KIP) No. 232, Registered as NEMA Lead Expert No. 9070 and lead member of Environment Institute of Kenya (EIK). He has experience in public and private sector. He has served in public sector and is presently the Director in charge of physical and land use planning in Samburu and also the Acting Chief Officer of Lands, Housing, Physical Planning and Urban Development.</p>
<p>Ms. Lydia Letinina</p> 	<p>Ms Lydia Letinina holds a Bachelor of Arts degree (B.A) in Economics and Sociology from Egerton University and a Diploma in Business Management from the Kenya Institute of Management. She has wide experience with Government organizations having worked for 11 years at Kenya Pipeline Company Limited (KPC), a public parastatal and seven (7) years with the County Government. She has a wealth of experience in financial management, budgets, performance management, Human Resources and Administration among other fields of management. She has served as Chief Officer in Samburu County Government since 2014; previously in Tourism, Trade and Cooperatives department, and Health and Medical Services department. She is currently the Chief Officer Transport, Roads and Public Works.</p>

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<p>Mr. David Lesamana</p> 	<p>David Lesamana was appointed the committee of the fund for Executive Car Loan & Mortgage fund on --- -- of 2020. David Holds A masters in Project planning and management from the university of Nairobi, Bsc IT from JKUAT, Certified Project management professional from PMI, a member of ISACA, Certified Prince2 Practitioner. He has over 12 years' experience and currently Chief Officer Economic planning & ICT and Ag.Chief officer finance, Samburu County Government</p>
<p>Mr. Tyson Lemako</p> 	<p>Mr Lemako Tyson holds BSc Agricultural Education & Extension from Egerton University, Diploma in Educational Management, Senior Management Course and several other short management courses. Has wealth of experience after working in Public service for more than 20yrs in service. Currently he is the Director of Agriculture and Ag Chief Officer; Department of Agriculture, Livestock & Fisheries Samburu County Government</p>
<p>Mr. Samuel Nakope</p> 	<p>Mr Sam NAKOPE is a public Health expert with vast knowledge of both humanitarian and development stable contexts across the world. He was a senior Health Advisor for Africa's based in London UK with key role in strengthening fragile Health system in both East, central and South African region and supporting Ebola response in west Africa. He also worked in Malawi, Zimbabwe and South Sudan within the humanitarian response. He has an MSc Public Health from the university of Birmingham UK and BSc in Environmental Health. Mr Sam Nakope is a member of the Royal institute of Environmental Health UK and a registered member of the Nursing council of Kenya. He's currently the Chief Officer Health services Samburu county.</p>

**Samburu County Executive Mortgage Scheme Fund
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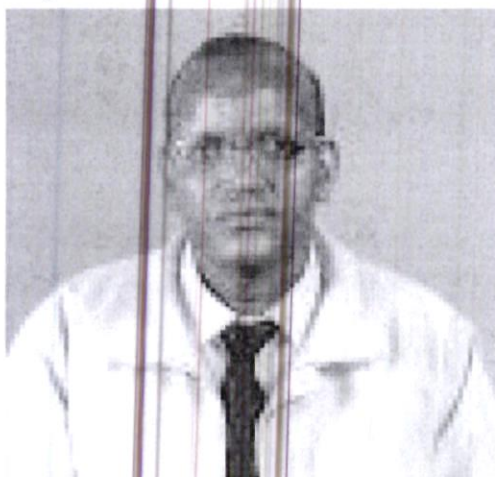
Mr. Marios Lerugum



Mr Lerugum Marios is a trained P1 teacher from Mosoroi Teachers College, Holds a Diploma certificate in special needs education from Kenya institute of Special Education (KISE), a Bachelors Degree in Education (B.Ed) from the Kenya Methodist University (KEMU). Served as a senior Principal Education officer (P.E.O) in the ministry of Education.

He has worked in the civil service for 24 years. He is currently a chief officer (CO) in the Department of Education and vocational training in Samburu County government.

Eng. Wilson Maili Lekoomet



Eng. Wilson Maili Lekoomet is a Water Engineer, with over 25 years' experience in the Water and Environment sector.

He is a PhD Candidate in Water and Environmental policy at the Centre of Advanced Studies in Environmental Law and Policy (CASELAP)- University of Nairobi-Kenya.

He has a Master of Science in Water Engineering and Management from Free University of Brussels - Belgium.

He also holds a number of postgraduate qualifications from different Universities/institutions in Strategic Leadership and Management, Project planning and Management, Environmental management, Finance and Procurement.

**Samburu County Executive Mortgage Scheme Fund
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3. LOANS MANAGEMENT COMMITTEE REPORT

The Loans Management Committee submits their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity of the Fund is issuance and management of mortgage loans to members of staff.

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 18.

Trustees

The Loans Management Committee who served during the year are shown on page 4.

Auditors

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

By Order of the Board

Secretary of the Board

Date:

**4. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
OF SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND**

Right from its commencement, the objective of Samburu County Executive Staff Mortgage Scheme fund has always been that the Fund shall provide loan schemes for the purchase, development, renovation or repair of residential property by members of the Scheme.

Up until June 2020, the Fund had disbursed a total of KES 251,000,000 to thirty six members. One of the pre-requisites for members to qualify for loans has been submission of residential building plans on bona-fide land ownership. On repayments schedule, a total of KES 51,266,302.15 had been repaid. However, this was noted as an under repayment by about KES 26,488,752.63 majorly due to under recovery on all beneficiaries at the payroll level. Consequently, a few of former employees stopped making their repayments shortly after they left employment. The Management Committee of the fund will deliberate on this and issue out its recommendations.

**Samburu County Executive Mortgage Scheme Fund
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5. FUND CHAIRPERSON'S REPORT

As the Chairperson of Samburu County Executive Staff Mortgage Scheme I would like to take an early opportunity to pass my sincere gratitude to CEC member in charge of County Treasury for taking a bold step in the last financial year in appointing Committee members who will spear head the administration of this fund in order to ensure that it attains the objectives earlier set in its regulations.

I would also like to thank staff members involved in the day to day operations of the Fund that includes the payroll staff and the reporting unit of the County Treasury. I take special notice that financial reports for this fund have been updated from its inception to date giving us an accurate position from where future decisions will be based on.

Though the fund has been in operation since 2015, the last loan disbursement dates back to June 2018 due to budgetary challenges. With the Committee now in place, it is my hope that more members who will meet set criteria for loan application will soon enjoy the benefits of the scheme.

From the this Financial Reports, we noted the following challenges;

- Lower than expected payroll recoveries on all the members that benefited. This has resulted in under recovery of about 26M from the inception of the fund to date.
- Members who initially benefitted have continuously defaulted on

The committee will soon follow up on these issues to ensure that the gaps are bridged in good time so as to reduce chances of defaults and that members can be guaranteed of loans services from the scheme.

With measures already put in place and I am confident that we have restarted the process on a good footing and with plans currently in deliberation; Samburu County Executive Staff Mortgage Scheme will soon perform to its optimal capacity and expectation for the benefit of all its members.

Signed:  _____

Moses Omondi

6. REPORT OF THE FUND ADMINISTRATOR

For the first time since the inception of the Fund, I on behalf of the Committee charged with administration of Samburu County Executive Staff Mortgage Scheme would register my appreciation following the following two key steps taken with regards to the governance of this fund;

- The appointment of the Loans Management Committee by our CEC in accordance to the provisions of the Act governing the Fund. This is the topmost governing body of the fund where decisions will be made and their implementation facilitated.
- Accurate and credible financial reports have been reworked since inception of the Fund thereby giving the Committee a platform to kick start its operations as guided by the Act.

It is worth mentioning that due to a myriad of challenges, the above two posed critical obstacle in the operationalization of the fund resulting in non-issuance of new loan facilities to new members. But at this point in time we decisions such as new disbursements demand letters on defaulters and modes of improving the fund in future can be articulated legally. Additionally, with up to date financial reports the Committee is in a position to be kept abreast with valuable information which will be of much importance in its decision making processes.

Apart from the challenges mentioned above, the Committee has been able to pin point a few other challenges and how they can be addressed as follows;

- Lower than expected threshold on repayments by all beneficiaries. All beneficiaries have been found to be repaying less than expected to cater for both Principal and Interest at any given moment. This has resulted in under payment of about 26M by June 2020. This is based on the requirement of the Act where each beneficiary is supposed to settle their loan within a 20 year period given on an interest rate of 3% reducing balance. The Committee was of the opinion that payroll updates recoveries so as to comply with timelines for repayments. The table below gives a summary of the under payment.

S. No	Names	Underpayment
1	H.E. Moses Lenolkulal	(2,582,390.57)
2	H.E. Joseph Lemarkat	(2,419,033.89)
3	Hon. Jonathan Leisen	(854,818.76)
4	Hon. Stephen Lekupe	(937,345.21)
5	Hon. Irene Senci	(96,217.95)
6	Hon. Peter Leshakwet	(599,194.04)
7	Hon. Peter Lolmodooni	(272,737.91)
8	Vincent Learaman	(736,179.76)
9	Hon. Christine Lentoimaga	

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		(676,609.07)
10	Hon. Grace Lempeei	(836,153.98)
11	Mr. Stephen Letinina	(855,440.22)
12	Mr. Bosco Sambu	(432,961.53)
13	Bernard Lesurmat	(919,355.95)
14	Lydia Letinina	(665,736.15)
15	Josephine Lenasalia	(278,020.46)
16	Linus Lenolgenje	(481,098.96)
17	Julius Leseeto	(1,254,679.58)
18	Reuben Lemunyete	(616,024.28)
19	Daniel Lenolkirna	(935,749.89)
20	Dorcas Lekisanyal	(412,089.66)
21	Samwel Lempushuna	(650,197.52)
22	Alice Nabaru Lenanyokie	(407,906.21)
23	Dickson Loorubat	(330,364.48)
24	Thomas Lekesike	(845,030.30)
25	Lilian Balanga	(819,817.28)
26	Paul Lolmingani	(1,526,934.28)
27	Timothy Lesingiran	(362,087.85)
28	Abednego Lenemiria	(574,611.46)
29	Patrick Yamako Lekimain	(583,271.94)
30	Bernard Saidimu Lenarogoito	(971,861.60)
31	Hon. Mary Ekai	(523,180.64)
32	Simon Lteeni	(471,787.09)
33	Simon Lekembe	(330,310.57)

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34	Davoli Lepatoyie	(390,063.59)
35	Joseph Lekalkuli	(328,120.70)
36	Tommy Lekimain	(511,369.33)
		(26,488,752.63)

- Some of our former staff members whose employment were terminated for one reason or the other have stopped making monthly repayments. For example in the year ended June 2020, the following made zero repayments towards their outstanding loans;

S. No	Names	Amounts Received in the year
1	H.E. Joseph Lemarkat	-
2	Hon. Christine Lentoimaga	-
3	Hon. Grace Lempeei	-
4	Samwel Lempushuna	-
5	Thomas Lokesike	-
6	Timothy Lesingiran	-
7	Abednego Lenemiria	-
8	Patrick Yamako Lekimain	-
9	Bernard Saidimu Lenarogoito	-
		-

The committee will pursue all defaulters by serving them with demand letters before engaging other recovery measures.

- Use of manual excels in generation of reports – This has been possible due to the few number of beneficiaries but this may not be feasible in future. The Fund therefore needs a system and also needs a dedicated accountant responsible for its day to day running.
- Late remittance of recoveries into the Fund Account. The Committee recommends that constant reporting be done and bank reconciliation to detect non remittances.
- Funds borrowed to implement county activities amount to KES 16,300,000 needs to be repaid back to the Fund account.

Samburu County Executive Mortgage Scheme Fund
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- Two staff members earlier working with County Assembly and who awarded loan facilities from the Assembly but are now with County Government. These staff have been deducted a total of KES 1,589,210.70 but these funds have been repaid to the County Executive Staff Mortgage Scheme account. This should also be rapid to the Assembly's scheme.

Having identified the mentioned gaps and with measures already put in place, the Fund is in a better place relative to prior periods.

In conclusion I would like to thank all the stakeholders who have contributed positively to the wellbeing of the fund and it is my hope that we will be able to continue with the same spirit going into the future in order to ensure that the intent and objective of the scheme comes to fruition.

Signed:  -

David Lesamana

7. CORPORATE GOVERNANCE STATEMENT

The top decision making organ charges with corporate governance with regards to the management of Samburu County Executive Mortgage Scheme Fund is the Loans Management Committee. With its recent appointment, the Committee endeavours to execute its mandate in line with the provisions of the Act.

The appointment of the Committee stems its appointment from Samburu County Executive Staff Mortgage Scheme, 2016. This therefore means, members of the committee are bound to hold office for the duration that they will be employed by Samburu County Government as Chief Officers in the respective departments defined in the Act. This therefore means should there be an occurrence either in form of dismissal or transfers to departments not defined by the Act, they cease to be members of the Committee and the CEC member automatically appoints a new office bearer to take up the vacant position in adherence with the Act.

Members are expected to hold quarterly meetings or adhoc meetings should there arise an urgent need to do so. Members require trainings on the administration of the fund especially at this point when they are all newly appointed. Performance of members is expected to be in line with the recommendations of the Act.

Should there be a conflict of interest in the execution of Committee duties, concerned members are encouraged to declare the interest in writing and communicate the same to the Chairperson. Members are expected to draw sitting allowances from the Fund commensurate with amounts recommended by the SRC should there be meetings.

It is the expectation of public, employer and all other stakeholders that members act impartially and with decorum in the execution of their duties.

Governance audit is expected to be conducted annually hand in hand with financial audits.

8. MANAGEMENT DISCUSSION AND ANALYSIS

According to management, the Fund has performed fairly well given the conditions that pre-existed in the year.

A lot have been identified as challenges and the committee now that it has the mandate to operate will endeavour to bridge the gaps identified in order to improve the standing of fund going into the future.

The committee does not have intentions to conduct investments or implement projects at this point in time. The committee will continue to neutralize the challenges identified in order to optimize its operational capacity and ensure that members' confidence is built in the scheme.

The fund is governed by Samburu County Executive Staff Mortgage Scheme Act, 2016 and will endeavour to comply with the Act and other statutory requirements in execution of its mandates.

The major risk that the Fund faces is risk of defaults as a result of members who may no longer be in employment. This is covered by the collaterals provided at the point of loan application.

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Mortgage Scheme Fund established by Samburu County Executive Staff Mortgage Scheme Fund Act, 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

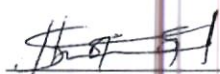
The Administrator of Samburu County Executive Mortgage Scheme Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility 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 Samburu County Executive Mortgage 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 and Samburu County Executive Staff Mortgage Scheme Fund Act, 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 26/11/2020 2020 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Samburu County Executive Staff Mortgage Scheme Fund set out on pages 18 to 56 which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements of Samburu County Executive Staff Mortgage Scheme Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Errors in Annual Reports and Financial Statements

The annual report and the financial statements prepared and presented for audit contained the following errors: -

- 1.1** Background information on page 2, makes, reference to Executive Car Loans and Mortgage Fund instead of Samburu County Executive Staff Mortgage Scheme Fund.
- 1.2** The responsibilities and dates of birth for the fund management team have been omitted on pages 4,5 and 6 of the financial statements.
- 1.3** The report of the fund administrator at page 12 has made reference to nine defaulting former staff members whose outstanding loan balances have not been indicated. Similarly, the report has made reference to Kshs.16,300,000 borrowed by the County Executive from the Fund and no details on the borrowing period and supporting approval minutes were provided.
- 1.4** Page 35 under paragraph 19(a) credit risk, the receivables from exchange transactions balance of Kshs.227,103,641 are indicated to be fully performing

whereas the report of the fund administrator reflects underpayments of Kshs.26,488,756 at page 22.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

2. Inaccuracies in the Financial Statements

The financial statements presented for audit contained the following inconsistencies:

- 2.1 The statement of cash flows reflects an adjustment balance of Kshs.6,810,150 for the year ended 30 June, 2020 whereas the statement of changes in net assets reflects an adjustment balance of Kshs.6,678,999 resulting to an unexplained variance of Kshs.131,151.
- 2.2 The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects mortgage disbursement balance of Kshs.11,000,000 whereas the statement of cash flow reflects a nil balance for loan disbursements paid out resulting to an unexplained variance of Kshs.11,000,000.
- 2.3 The statement of changes in net assets as at 30 June, 2020 reflects funds from the county government balance of Kshs. 11,000,000 whereas Note 22 on related party transactions reflect a nil balance resulting to an unexplained variance of Kshs.11,000,000.

Consequently, the accuracy and completeness of the financial statements as at 30 June, 2020 could not be confirmed.

3. Variance between the Financial Statements and Schedules

The financial statements reflect figures totalling Kshs.233,341,097 that differs with the supporting schedules amount of Kshs.207,374,480 resulting to a variance of Kshs.25,966,617 that has not been reconciled as detailed below:-

Particulars	Note	Financial Statement Kshs.	Supporting Schedule Kshs.	Variance Kshs.
Interest Income	4	6,237,456	6,250,373	(12,917)
Current portion of long-term receivables from exchange transactions	12	19,028,339	10,358,112	8,670,227
Long term receivables from exchange transactions	12	208,075,302	190,765,995	17,309,307
Total		233,341,097	207,374,480	25,966,617

This is contrary to Section 99(3) of the Public Finance Management (County Governments) Regulations, 2015, that requires every entry in the accounts to be supported.

Consequently, the accuracy, validity and fair statement of the financial statements balance of Kshs.233,341,097 as at 30 June, 2020 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.33,529,619 which is at variance with the cash book balance of Kshs.31,178,892 resulting to an unreconciled variance of Kshs.2,350,727.

In addition, the bank reconciliation statement as at 30 June, 2020 reflects receipts in cash book not in bank amounting to Kshs.10,936,852. Management did not provide reasons for the delay in banking the cash receipts with some dating as far back as 2016. Further, the cashbook opening balance of Kshs.11,712,916 was at variance with the previous year closing cash and cash equivalent balance of Kshs.4,902,766 resulting to an unreconciled variance of Kshs.6,810,150.

Consequently, the accuracy, validity and fair statement of the reported cash and cash equivalents balance of Kshs.33,529,619 as at 30 June, 2020 could not be confirmed.

5. Unsupported Borrowings

The statement of financial position reflects a borrowings balance of Kshs.16,300,000 and as disclosed in Note13 to the financial statements. However, records provided for audit indicate that the amount represents cash withdrawals from the fund account from the year 2017 to 2019 which were not supported by documentation showing how the funds were applied.

This is contrary to Section 18(1) of the Public Finance Management (Samburu County Executive Staff Mortgage Scheme) Regulations, 2016 that states that the officer administering the fund shall supervise and control the administration of the fund.

Consequently, the existence and recoverability of borrowings balance of Kshs.16,300,000 as at 30 June, 2020 could not be confirmed.

6. Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,589,211 as at 30 June, 2020 in respect of employees who transferred their services from the County Assembly to the County Executive. However, the balance is not supported by a detailed schedule reflecting name, personal number, basis of computation and amount owing to each. This is in breach of Section 99(3) of the of the Public Finance Management (County Governments) Regulations, 2015 that requires every entry in the accounts to be supported by a

voucher or full details, clear narrations and particulars of the item or items to which it relates. Further, no demand letters from the Samburu County Assembly Staff Mortgage Scheme Fund were provided for audit in support of the outstanding balance.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.1,589,211 as at 30 June, 2020 could not be confirmed.

7. Revolving Fund Balance

The statement of financial position as at 30 June, 2020 reflects a revolving fund balance of Kshs.247,992,000;(2019:Kshs.243,670,999). Included in this balance is an amount of Kshs.177,010,016 transferred from the County Executive from the year 2015 to 2017 to the Fund but there was no evidence of the funds having been deposited in the fund bank account.

Consequently, the accuracy and completeness of the revolving fund balance of Kshs.247,992,000 as at 30 June, 2020 could not be confirmed.

8. Unsupported Loan Disbursements

The statement of comparison of budget and actual amounts reflects mortgage disbursement balance of Kshs.11,000,000. Contrary to the provisions of Section 8 of the Public Finance Management (Samburu County Executive Mortgage Scheme Fund) Regulations, 2016, the loan disbursements were unsupported by way of loan applications, approved designs of house plans, bills of quantities, official search for titles to the property or certified copies of sale agreements.

To the extent, the Fund Management is in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion, section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management systems and governance as required by Section 7(1)(a) of the Public Audit Act, 2015.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion, section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Samburu County Executive Staff Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2022

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11. FINANCIAL STATEMENTS

**11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		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	6,237,455.56	7,585,301.95
Other income	5	-	-
Total revenue		6,237,455.56	7,585,301.95
Expenses			
Fund administration expenses	6	-	-
Staff costs	7	-	-
General Expenses	8	4,512.00	580.00
Finance costs	9	-	-
Total expenses		4,512.00	580.00
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		6,232,943.56	7,584,721.95

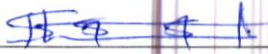
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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020


	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	11	33,529,618.85	4,902,766.20
Current portion of long term receivables from exchange transactions	12	19,028,338.90	7,728,862.05
Borrowings	13	16,300,000.00	-
Inventories	14	-	-
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	208,075,301.77	259,791,475.20
Total assets		276,933,259.52	272,423,103.45
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	1,589,210.70	-
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		1,589,210.70	-
Net assets			
Revolving Fund		247,992,000.00	243,670,998.70
Reserves		-	-
Accumulated surplus		27,352,048.82	28,752,104.75
Total net assets and liabilities		276,933,259.52	272,423,103.45

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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 9th Dec 2020 and signed by:



Administrator of the Fund
Name: David Lesamana



Fund Accountant
Name: Joseph Lekalkuli
ICPAK Member Number: 6711

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11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	241,670,998.70	-	21,167,382.80	262,838,381.50
Surplus/(deficit) for the period	-	-	7,584,721.95	7,584,721.95
Funds received during the year	2,000,000.00	-	-	2,000,000.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	243,670,998.70	-	28,752,104.75	272,423,103.45
Balance as at 1 July 2019	243,670,998.70	-	28,752,104.75	272,423,103.45
Surplus/(deficit) for the period	-	-	6,232,943.56	6,232,943.56
Funds received during the year	11,000,000.00	-	-	11,000,000.00
Adjustment during the year	- 6,678,998.70	-	-	-
Revaluation gain	-	-	7,632,999.49	14,311,998.19
Balance as at 30 June 2020	247,992,000.00	-	27,352,048.82	275,344,048.82

(Provide details on the nature and purpose of reserves)

11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		11,000,000.00	2,000,000.00
Interest received		-	7,585,301.95
Receipts from other operating activities (receipts from assembly staff)		748,628.00	
Total Receipts		11,748,628.00	9,585,301.95
Payments			
Fund administration expenses		-	-
General expenses		4,512.00	580.00
Finance cost		-	-
Total Payments		4,512.00	580.00
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	-	- 5,704,576.05
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
Adjustment during the year		6,810,149.55	
Net cash flows from operating activities		18,554,265.55	3,880,145.90
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		10,072,587.10	
Loan disbursements paid out		-	

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Net cash flows used in investing activities		10,072,587.10	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		28,626,852.65	3,880,145.90
Cash and cash equivalents at 1 JULY	15	4,902,766.20	1,022,620.30
Cash and cash equivalents at 30 JUNE	15	33,529,618.85	4,902,766.20

11.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Mortgage Capital Fund	11,000,000.00	-	11,000,000.00	11,000,000.00	-	100%
Receipts from other operating activities				6,237,455.56	(6,237,455.56)	>100%
Total income	11,000,000.00	-	11,000,000.00	17,237,455.56	(6,237,455.56)	157%
Expenses						
Mortgage Disbursement	11,000,000.00	-	11,000,000.00	11,000,000.00	-	100%
General Expenses	-	-	-	4,512.00	(4,512.00)	>100%
Total expenditure	11,000,000.00	-	11,000,000.00	11,004,512.00	4,512.00	100%
Surplus for the period	-	-	-	6,232,943.56	(6,232,943.56)	>100%

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11.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an 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 an 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 2022</p> <p>The objective of this Standard is to improve the relevance, faithful</p>

**Samburu County Executive Mortgage Scheme Fund
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Standard	Effective date and impact:
	<p>representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Fund; (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 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 2022:</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 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p>

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Standard	Effective date and impact:
	Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard
	IPSAS 40, Public Sector Combinations: Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

b) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 30 June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations on the 2019/2020 budget following the governing body's approval.

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

6. Intangible assets

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

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

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

- The debtors or a 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 Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Provisions

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

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

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

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 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.

9. Nature and purpose of reserves

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

10. Changes in accounting policies and estimates

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. 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.

12. Related parties

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Chairperson, Vice Chairperson and Committee Members. Samburu County Assembly is hereby regarded as a related party to the Fund.

13. 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.

14. Comparative figures

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

15. Events after the reporting period

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

16. Ultimate and Holding Fund

The Fund is a County Public Fund established by Samburu County Executive Staff Mortgage Scheme Fund Act, 2016 under the Ministry of Planning and Devolution. Its ultimate parent is the County Government of Samburu.

17. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18. 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

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

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

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 12.

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. 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 company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2020				
Receivables from exchange transactions	227,103,640.67	227,103,640.67	0	0
Receivables from non exchange transactions	-	-	0	0
Bank balances	33,529,618.85	-	0	0
Total	260,633,259.52	227,103,640.67	0	0
At 30 June 2019				
Receivables from exchange transactions	230,938,772.20	230,938,772.20	0	0
Receivables from non exchange transactions	-	-	0	0
Bank balances	11,712,915.75	-	0	0
Total	242,651,687.95	230,938,772.20	0	0

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

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

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts 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 2020				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2019				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Capital risk management

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

	2020		2019
	KShs		KShs
Revaluation reserve	0		0
Revolving fund	0		0
Accumulated surplus	0		0
Total funds	0		0
Total borrowings	0		0
Less: cash and bank balances	0		0
Net debt/(excess cash and cash equivalents)	0		0
Gearing	0		0

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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Donation from development partners	0	0
Contributions from the public	0	0
Total	0	0

2. Transfers from County Government

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from County Govt. – operations	11,000,000	-
Payments by County on behalf of the Fund	-	-
Total	11,000,000	-

3. Fines, penalties and other levies

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Late payment penalties	0	0
Fines	0	0
Total	0	0

4. Interest income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest income from loans(mortgage or car loans)	6,237,455.56	7,585,301.95
Total interest income	6,237,455.56	7,585,301.95

5. Other income

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Insurance recoveries	0	0
Income from sale of tender documents	0	0

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Miscellaneous income		
Total other income	0	0

6. Fund administration expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Staff costs (Note 7)	0	0
Loan processing costs	0	0
Professional services costs	0	0
Total	0	0

7. Staff costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Salaries and wages	0	0
Staff gratuity	0	0
Staff training expenses	0	0
Social security contribution	0	0
Other staff costs	0	0
Total	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Loans advanced to members	0	0
Withdrawals by County Gvt	0	0
Fuel and oil costs	0	0
Insurance costs	0	0
Postage	0	0
Printing and stationery	0	0
Rental costs	0	0
Security costs	0	0
Telecommunication	0	0
Hospitality	0	0
Depreciation and amortization costs	0	0
Other expenses-Bank Charges	4,512.00	580.00
Total	4,512.00	580.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Interest on Bank overdrafts	0	0
	0	0
Total	0	0

10. Gain on disposal of assets

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

11. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Fixed deposits account	0	0
On – call deposits	0	0
Current account	33,529,618.85	4,902,766.20
Others	-	-
Total cash and cash equivalents	33,529,618.85	4,902,766.20

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

**Samburu County Executive Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2019/2020 KShs	FY2018/2019 KShs
a) Fixed deposits account			
Kenya Commercial bank		0	0
Equity Bank, etc		0	0
Sub- total		0	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank - etc		0	0
Sub- total		0	0
c) Current account			
Kenya Commercial bank (Maralal Branch)		33,529,618.85	4,902,766.20
Bank B		-	-
Sub- total		33,529,618.85	4,902,766.20
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		33,529,618.85	4,902,766.20

12. Receivables from exchange transactions

Description	FY2019/2020 KShs	FY2018/2019 KShs
Current Receivables		
Interest receivable	5,632,458.44	7,728,862.05
Current loan repayments due	10,331,205.69	
Other exchange debtors	3,064,674.77	
Less: impairment allowance (withdrawals)		
Total Current receivables	19,028,338.90	7,728,862.05
Non Current receivables		
Long term loan repayments due	190,283,682.35	259,791,475.20
Longterm portion of Interest receivable	14,429,293.52	

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Longterm portion of Other exchange debtors	3,362,325.90	
Total Non current receivables	208,075,301.77	259,791,475.20
Total receivables from exchange transactions	227,103,640.67	267,520,337.25

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Borrowings by the County Executive	16,300,000.00	0
Prepaid insurance	0	0
Other Receivables-From CG	0	0
Total	16,300,000.00	0

14. Inventories

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Consumable stores	0	0
Spare parts and meters	0	0
Catering	0	0
Total inventories at the lower of cost and net realizable value	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and	Motor vehicles	Furniture and fittings	Computers and	Total
	Buildings			office equipment	
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 th June 2019	-	-	-	-	-
At 1 st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June 2019	-	-	-	-	-

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At 1 st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 th June 2019	-	-	-	-	-
Net book values					
At 30 th June 2019	-	-	-	-	-
At 30 th June 2020	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Cost		
At beginning of the year	0	0
Additions	0	0
At end of the year	0	0
Amortization and impairment		
At beginning of the year	0	0
Amortization	0	0
At end of the year	0	0
Impairment loss	0	0
At end of the year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Trade payables	0	0
Refundable deposits	0	0
Accrued expenses	0	0
Other payables (payable to the county assembly)	1,589,210.70	0
Total trade and other payables	1,589,210.70	0

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount and time value for money	0	0	0	0
Transfers from non -current provisions	0	0	0	0
Total provisions	0	0	0	0

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Balance at beginning of the period	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	0	0
Repayments of domestics borrowings during the period	0	0
Balance at end of the period	0	0

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

	FY2019/2020	FY2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	0	0
Sterling Pound denominated loan from 'yyy organisation'	0	0
Euro denominated loan from zzz organisation'	0	0
Domestic Borrowings	0	0
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

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

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Short term borrowings(current portion)	0	0
Long term borrowings	0	0
Total	0	0

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total employee benefits obligation	0	0	0	0

21. Cash generated from operations

	FY2019/2020	FY2018/2019
	KShs	KShs
Surplus for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	6,237,455.56	0
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	6,237,455.56	0

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

22. Related party balances

a) Nature of related party relationships

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2019/2020	FY2018/2019
	KShs	KShs
Transfers from related parties'	0	0
Transfers to related parties	0	0

c) Key management remuneration

	FY2019/2020	FY2018/2019
	KShs	KShs
Board of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due from parent Ministry	0	0
Due from County Government	0	0
Total	0	0

e) Due to related parties

	FY2019/2020	FY2018/2019
	KShs	KShs
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Total	0	0

23. Contingent assets and contingent liabilities

Contingent liabilities	FY2019/2020	FY2018/2019
	KShs	KShs
Court case xxx against the Fund	0	0
Bank guarantees	0	0
Total	0	0

12. PROGRESS ON FOLLOW UP OF AUDITOR 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Unconfirmed Opening Balances The financial statement figures and notes for the year ended 30th June 2018 have prior year comparative figures. However, a financial statement for the year ended June 2017 was not availed to confirm the accuracy of the opening balances.	The County Treasury has reworked all the reports from inception to date.	Chief Officer Finance	Not Resolved	Dec 2020
4.2	Inaccurate Cash and Cash equivalent The Statement of Financial Position shows a cash and	The County Treasury has reworked all the reports from inception to date.	Chief Officer Finance	Not Resolved	Dec 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>cash equivalent of Kshs 1,022,620.30 as at 30 June 2018 while the statement of cash flows shows a cash and cash equivalents of Kshs 146,597,271.75 as at 30 June 2018. This results to unexplained and unsupported variance of cash and cash equivalents of Kshs 145,574,650.70. Further, the statement of financial position shows a closing balance of cash and cash equivalent of Kshs 219,602.05 as at 30 June 2017 while the statement of cash flows shows a balance of Kshs 133,794,254. This</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	results to unexplained and unsupported closing balance as at 30 June 2017/ opening balance as at 1 July 2017 of Kshs 133,574,651.95				
4.3	Uncollected Loan Arrears During the year under review the loan management committee had not collected loans from ten (10) loan beneficiaries totalling Kshs. 55,925,356.95	The Committee is now in place it will be in a position to handle this matter	Chief Officer Finance	Not Resolved	Feb 2021
4.4	Incorrect Loan Amortization As required by the regulations the fund administrator shall maintain proper books of accounts in relation to all	The County Treasury has reworked all the reports from inception to date.	Chief Officer Finance	Not Resolved	Dec 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	loans financed from the fund. This includes, loan register, loan status reports indicating loans issued, loans repaid, arrears, outstanding loans, amortization schedule indicating the loan amount, repayment installments and periods. However, it was observed that the loan status report presented for audit review was incorrect in that; <ul style="list-style-type: none"> a) Total principal plus interest owed was computed for only one year instead of distribution over the repayment period as per loan agreement, therefore 				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	undercharging interest to borrowers. b) Loans were amortized for a period of 20 years instead of the number of months from date of disbursement to the end of that executive term or lapse of employment contract of the member of scheme.				

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.

13. NOTE ON RE-STATEMENTS

	Balance as reported	Prior Year Adjustment	Adjusted Balance
Cash and cash equivalents	4,902,766.20	6,810,150	11,712,915.75
Current portion of long term receivables from exchange transactions	7,728,862.05	9,105,667	16,834,528.90
Receivables from non- exchange transactions	-	16,300,000	16,300,000.00
Long term receivables from exchange transactions	259,791,475.20	45,687,232	214,104,243.30
Trade and other payables from exchange transactions	-	840,583	840,582.70
		14,311,998	

- The revised workings for the various components of assets vis a vis liabilities cumulatively resulted in an adjustment of Ksh. 14,311,998 summarized herein.
- The adjustment has been applied retrospectively in the fund's books of accounts in line with the provisions of IPSAS 3.

