

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

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THE AUDITOR-GENERAL

ON

**TAITA TAVETA COUNTY ASSEMBLY
MORTGAGE (MEMBERS)
SCHEME FUND**

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



OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA
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TAITA TAVETA COUNTY ASSEMBLY MORTGAGE 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)

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Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Table of Content

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	v
3. Management Team	vii
4. Board/Fund Chairperson's Report	ix
5. Report of The Fund Administrator	x
6. Statement of Performance Against the County Fund's Predetermined Objectives	xi
7. Corporate Governance Statement	xii
8. Management Discussion and Analysis	xv
9. Environmental and Sustainability Reporting	xvi
10. Report of The Trustees	xvii
11. Statement of Management's Responsibilities	xviii
12. Report of The Independent Auditor	xix
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position as At 30 June 2022	2
15. Statement Of Changes in Net Assets for the year ended 30 th June 2022	4
16. Statement Of Cash Flows For The Year Ended 30 June 2022	5
17. Statement Of Comparison Of Budget And Actual Amounts For The Period	7
18. Notes to the Financial Statements	8
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	36

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

1. Key Entity Information and Management

a) Background information

Taita Taveta County Assembly Mortgage Scheme Fund is established by and derives its authority and accountability from County Government Act no. 17 of 2012 on 24th July, 2012. The Fund is wholly owned by the Taita Taveta County Assembly and is domiciled in Kenya.

The fund's objective is to providing housing loan facilities to civil servants for the purpose of either purchasing or constructing a residential house, developing housing units for sale or rental by civil servants and raising funds for the implementation of the above.

The Fund's principal activity is to issue mortgage loans to Members of County Assembly and Staffs.

Principal Activities

The principal activity/mission/ mandate of the Fund is to issue mortgage loans to Members of County Assembly and Staffs.

b) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Chairman of the Board	Hon. Harris Keke
2	Fund Accountant	CPA Joseph Waduu
3	Other trustees/Committee Members	Hon. Godwin Kilele Hon. Ibrahim Juma Hon. Crispus Masaga
4	Fund Manager/ Administrator	CPA Gadiel Mnyambo Maghanga

c) Key Management

Ref	Name	Position
1	Fund Manager/ Administrator	CPA Gadiel Mnyambo Maghanga
2	Fund Accountant	CPA Joseph Waduu
3	Head of Internal Audit	Renson Peter Mambaria
4	Principal Legal Officer	Fredrick Mwabili

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

d) Registered Offices

County Assembly Headquarter
P.O. Box 1142 - 80304
Wundanyi, KENYA.

e) Fund Contacts

Telephone: (254) 718703359 / 732604811
E-mail: informationdesk@taitatavetaassembly.go.ke
Website: www.taitatavetaassembly.go.ke

f) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Co-operative Bank of Kenya
P.O. Box 770 -80300
VOI, Kenya

g) Independent Auditors





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

h) Principal Legal Adviser

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

2. The Board of Trustees (or any other governing body for the Fund)

Name	Details of qualifications and experience
	<p>CPA Gadiel Mnyambo Maghanga- Fund administrator CPA Gadiel was appointed Fund Administrator in January 2019. He has over 18 years' experience in finance industry. He is currently the Clerk Taita Taveta County Assembly since January 2019. He is also the County Assembly Service Board Secretary He is a Certified Public Accountant and holds a Masters in Business Administration. D.O.B 18-7-1978</p>
	<p>Hon. Harris Keke-Chairperson He is the leader of Majority. He has been an elected MCA since 2013 He has served as a chairperson from June 2020. D.O.B 15-5-1983</p>
	<p>Hon. Godwin Kilele-Member He is the Minority Whip. He has been an elected MCA since 2013 He has served as a member from 2015. D.O.B 19-8-1974</p>
	<p>Hon. Ibrahim Juma-Member He is the Majority Whip. He has been an elected MCA since 2013 He has served as a member from 2015. D.O.B 9-7-1976</p>

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022



Hon. Crispus Masaga Tondoo-Member

He is the Deputy Speaker.

He has been an elected MCA since 2013






He has served as a member from 2015.

D.O.B 27-7-1979

Taita Taveta County Assembly Mortgage Scheme Fund

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

3. Management Team

Name	Details of qualifications and experience
	<p>CPA Gadiel Mnyambo Maghanga CPA Gadiel was appointed Fund Administrator in January 2019. He has over 18 years' experience in finance industry. He is currently the Clerk of Taita Taveta County Assembly since January 2019. He is a Certified Public Accountant and holds a Masters in Business Administration.</p>
	<p>CPA Joseph Waduu CPA Waduu was appointed Fund Accountant in January 2019. He has over 5 years' experience as an accountant and 6 years' experience as an Internal Auditor. He is a Certified Public Accountant and holds a bachelor in business administration in Business Administration –finance option.</p>
	<p>Miss Jentah Mwaruma Madam Jentah has been the assistant Fund accountant since 2015. She holds a bachelor of commerce –Finance option She has over 10 years' experience in finance industry.</p>
	<p>Mr Renson Peter Mambaria Mr Renson is the head of Internal Audit. He has over 15 years' experience in public finance management. He has undertaken Senior Management Course and Strategic Leadership Development Programme Course. He holds a Masters in Business Administration.</p>
	<p>Mr Fredrick Mwabili Mr Fredrick is the Principal Legal Officer He holds a bachelor of Law and Diploma in law from Kenya school of Law. He has over 5 years' experience as an advocate</p>

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Note: *The Fund Administrator will feature under both the 'Board' and 'Management'.*

4. Board/Fund Chairperson's Report

The Taita Taveta County Assembly Mortgage Scheme fund is a revolving fund established pursuant to the Salaries and Remuneration Circular no SRC/ADM/CIR/1/13/ Vol III (128) of 17th December 2014. Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements. For proper management of the fund, the Taita Taveta County Assembly adopted Public Finance Management Taita Taveta County Assembly Mortgage Scheme Fund) Regulations 2014 to guide operationalization of the Fund.

The Fund started its operations in 2015 following the gazettelement of the Taita Taveta County Assembly Mortgage Scheme regulation 2015. It received an initial amount of Ksh.3M. The Salaries and Remuneration Commission in its circular ref SRC/ADM/CIR/1/13 Vol.III (128) dated 17 December 2014 provided guidelines for access of Car Loan and Mortgage benefits by all state and public officers. Arising therefrom the County Assembly Committee Members approved and adopted the Staff Loans Policy Paper on 14th September 2015. In the FY 2015/2016 the Fund Committee Members approved and adopted the guidelines on internal administration of the Mortgage Scheme Fund.

Conclusion

FY 2021/2022 is a good year in general. Good progress has been created to enable Taita Taveta County Assembly Mortgage Scheme Fund continues into prosperity. I take this opportunity to thank the Hon Speaker and Members of County Assembly for their support. I would also want to thank my colleagues, all heads in charge of other departments who we have worked hand in hand to ensure that Taita Taveta County Assembly achieves its mission.

I thank all staff in the entire County Assembly for their continued commitment and dedication through hard work in delivering services to the people of Taita Taveta County.



.....
Name: Hon. Harris Keke
Chairperson

**Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

5. Report of The Fund Administrator

It is my pleasure to present the Taita Taveta County Assembly Mortgage Scheme Fund Financial Statements for the year ended 30th June 2022. The financial statements present the financial performance of the fund over the past year.

The fund was established on 14th September 2015 and started with an initial amount of KShs 3M.

Financial Performance

a) Revenue

In the year ended 30th June 2022, the fund had projected revenues of Kshs twenty six (26) Million. Due to cash flow challenges, the fund didn't realise its full budget.

b) Loans

During the financial year 2021/2022, the fund had disbursed 10 Loans totalling to Kshs 17,216,282.00.

c) Cash flows

In the FY 2021/2022, the cash and cash equivalents decreased from KShs 6,199,572 as at 30th June 2021 to Kshs 24,354 as at 30th June 2022.

d) Risk Management Strategies.

To ensure all loans are paid in full and reduce the risk of defaulting loans are repaid via cheque off system i.e. recovery via payroll.

We have taken insurance to safe guard the outstanding loans.

e) Conclusion

I take this opportunity to thank the Fund Committee Members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Taita Taveta County Assembly Mortgage scheme fund achieves its mission.



.....
Name: CPA Gadiel Mnyambo Maghanga
Fund Administrator

Taita Taveta County Assembly Mortgage 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

Guidance

The Assembly of Taita Taveta strategic plan is to ensure efficient delivery of the services to the public through legislation and public participation. The entity’s annual budget set is not yet fully utilised as the funds received from the National treasury delays. This has hindered full implementation of the budget.

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Members facilitated with Mortgage	Members in need of mortgage are facilitated	Members/Staff own houses	Own house	10 loans disbursed totalling to kshs 17,216,282.00.

7. Corporate Governance Statement

Corporate governance generally refers to the processes by which organisations are directed, controlled and held accountable. It encompasses authority, stewardship, leadership, direction and control exercised in companies and corporations. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organisations. The bottom line is about power, how it's used and controlled.

The company ought to take its various interests into account alongside those of shareholders in all its activities. They can be regarded as investing in it each in their own way, whether through their capital, their work lives, their purchasing loyalty, or their local support and infrastructure.

a) A number of Fund Administration Committee meetings held and the attendance to those meetings by members, In the financial year 2021/22 the Fund Administration committee had twelve sittings/ meetings of which they approve loans prior to the payment of the same.

b) Succession Plan

- (1) There is an established committee known as the County Assembly Members Mortgage Loans Management Committee, which consists of-
- (a) the vice-chairperson of the Board who shall be the chairperson;
 - (b) The Minority Leader of the County Assembly
 - (c) The chairman of the Finance Committee of the County Assembly
 - (d) The Majority Whip of the County Assembly; and
 - (e) The Minority Whip of the County Assembly;
 - (f) The Clerk of the County Assembly.
 - (g) The Chief Officer Finance and Planning or an officer designated by him to represent him and who must be of good standing.

For example if Minority leaders of the county assembly leaves office (Who is a member of the committee), immediately when a new Minority leader is selected, immediately he becomes a member of the committee.

c) **Existence of a Board/Trustee charter:** - There is no Board/ Trustee Charter in place, however, the funds administration committee has a document known as The Public Finance Management (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2015 which guide the committee in the administration of Funds. Plans are

underway in the financial Year 2021/2022 to document a service charter that will guide all stake holders.

d) Process of Appointment and removal of Trustees

Any changes in the appointment and removal of members of county assembly (MCA) to various positions in their respective political parties affect directly the appointment and removal of individuals in the County Assembly Members Mortgage Loans Management Committee.

e) Roles and Functions of the Board/Trustees

- i. supervises and controls the administration of the Fund;
- ii. utilizes the interest accruing thereto to defray operating expenses, and may impose any reasonable restriction or other requirements concerning such use;
- iii. cause to be kept books of accounts and other books and records in relation to the Fund and for all loans financed from the Fund;
- iv. prepares, signs and transmits to the Auditor-General in respect of each financial year and within three (3) months after the end thereof, a statement of accounts relating to the Fund, prepared and signed by him specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as the Board may from time to time direct in accordance with the Public Finance Management Act;
- v. furnishes such additional information as may be required for the purpose of examination and audit by the Auditor-General; and
- vi. Designates and appoint such staff as may be necessary to assist him in the administration of the Fund and may require such staff to carry out such inspections as may be necessary to verify any information submitted under these Regulations.

f) Induction and Training

The training and induction of Board/Trustees members performance, was conducted in the financial year 2017/2018. Since then same members have been on board. We plan for further training and engagement in the financial year 2022/2023 so as to learn more from other County Assemblies and new members who are coming on board as trustees and members.

g) Board and Members performance

The Board and members are required to hold meetings and ensure that during budget preparation, their views are put on board to ensure that the staffs are issued with mortgage loans in time. Any decision should be passed by all members and they all should be in agreement and signed.

h) Conflict of interest

The Board/Trustees should not have any conflict of interest in the fund. There should be disciplinary measures for any member who has conflict of interest to the fund.

i) Board/ Trustee Remuneration

The Board/Trustee remuneration is paid when the members hold a meeting thus they are paid sitting allowance. Thus the Board is entitled to the following remuneration: - The chairperson, Vice Chair and member are paid a sitting allowance of Kshs 6,500, Kshs 5,200 and Kshs 3,900 per sitting respectively.

j) Ethics and Conduct as well as Governance Audit

The Board should conduct their duties in an ethical manner thus to ensure effective delivery of services to the staffs and members. There should be an audit to the activities the Board carries out in the organization for the financial years at hand.

8. Management Discussion and Analysis

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Taita Taveta County Assembly Mortgage Scheme Fund established by The Taita Taveta County Assembly Gazette Supplementary No. 16, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Taita Taveta County Assembly Mortgage Scheme 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 the Fund accepts responsibility for the Taita Taveta County Assembly Mortgage Scheme 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 Taita Taveta County Assembly Gazette Supplementary No. 16. The Administrator of the Fund is of the opinion that the Taita Taveta County Assembly Mortgage Scheme 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 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 Taita Taveta County Assembly Mortgage 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.

The major challenges facing the fund are the inadequacy of funds resulting to partial payments of the loans to the beneficiaries.

9. Environmental and Sustainability Reporting

Taita Taveta County Assembly Mortgage scheme fund exists to transform lives of the members through loan disbursement. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Taita Taveta County Assembly pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

The top management especially the accounting officer has ensured that mortgage is available to both the staffs and members of the county assembly. This has further enabled the top management to deliver its activities on time by ensuring that in the foreseeable future there will be separate accounts for mortgage and car loan for staffs and M.C.A's.

2. Environmental performance

The management has ensured ample environment for the staffs and members of county assembly. Waste products are disposed of properly. There is a separate registry in the facility to store file records which contain information of the organization.

3. Employee welfare

The top management has ensured gender equity and ethnic values during employment process. This further has enabled the organization derive its values to the society. There is a staff welfare organization in which grievances and opinions can be raised and reach the management in time for action. There are also continuous staffs and M.C.A's training thus improving the management skills and also work life balance. In terms of occupational safety and health act of 2007 (OSHA), the organization has ensured safety of staffs and M.C.A's by continuous training and equipping the working environment with safe health standards.

4. Market place practices-

a) Responsible competition practice.

The organization is a corruption free environment thus enabling members of the public to public participation during budgeting process and also ensuring that during assembly sessions they are invited to come and hear what the members are passing through bills.

b) Responsible Supply chain and supplier relations- the organization ensures that the stake holders, suppliers are involved during the tendering process. This is by floating tenders to the general public through media, and organization website. This has ensured fair competition and suppliers are invited during tender openings to ensure openness

c) Responsible marketing and advertisement-Marketing is done through the media and publishing through the Kenyan gazette. This is to ensure transparency among the public.

d) Product stewardship- Consumer rights is safeguarded through prompt payments upon delivery of goods by the suppliers to the organization

5. Community Engagements-

The organization participates in sports through the CASA games, planting trees to schools such as St. Marys High School and Dr. Aggrey High School. The Assembly promotes education by inviting schools students to come and learn the activities of the Assembly and legislation as a whole.

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

10. Report of the Trustees

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

Principal activities

The principal activities of the Fund are to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.

Results

The results of the Fund for the year ended June 30, 2022 are set out on the document.

Trustees

The members of the Board of Trustees who served during the year are shown on page (v) and (vii). There were changes in the Board during the financial year 2021-2022 as the late Hon Ronald Sagurani passed away thus creating a shortage to the Board.

Auditors

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

By Order of the Board



.....
Chair of the Board/Fund Administration Committee

Date: 21/11/2022

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 a County Public Fund established by County Government Act no. 17 of 2012 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and County Governments Act no. 17 of 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 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 21st November, 2022 and signed on its behalf by:

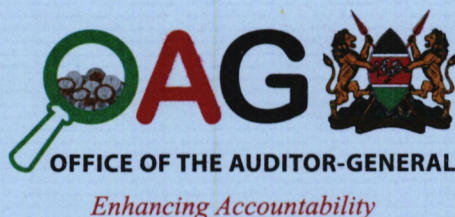


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Administrator of the County Public Fund

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 TAITA TAVETA COUNTY ASSEMBLY MORTGAGE (MEMBERS) SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta County Assembly Mortgage (Members) Scheme Fund set out on pages 1 to 36, which comprise of 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

Report of the Auditor-General on Taita Taveta County Assembly Mortgage (Members) Scheme Fund for the year ended 30 June, 2022

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

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

Basis for Qualified Opinion

1. Failure to Jointly Register Mortgage Properties

The statement of financial position and Note 12 to the financial statements reflects receivables from exchange transactions of Kshs.123,860,316. Included in the balance is an amount of Kshs.106,608,763, being outstanding balances in respect of twenty-nine (29) mortgages. However, Management did not provide evidence that the mortgages were jointly registered and title deeds charged contrary to Regulation 15(1) of the Public Finance (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2014 which requires the Fund to have a charge registered on the property financed through a loan granted under the regulations.

Further, Management did not provide insurance policies on the mortgage loan properties, contrary to Regulation 16(1) which states that, 'a borrower shall take out and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board'.

In the circumstances, the recoverability of receivables from exchange transactions of Kshs.106,608,763 could not be confirmed and Management was in breach of the law.

2. Unrecovered Mortgage Loans

The statement of financial position and Note 12 to the financial statements reflects total receivables from exchange transactions of Kshs.123,860,316. Included in the balance is loan principal and interest amounting to Kshs.40,727,726 in respect of eight (8) former Members of County Assembly (MCA's) and two (2) former employees of the County Assembly. However, Management did explain why the Fund had not recovered the loans from the MCAs as provided under Regulation 13 of the Public Finance (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2014, which states that 'a loan granted under these Regulations shall be fully repaid at the end of the term of that Assembly. Further, Management did not provide details of any steps taken to initiate recovery of the loans, exposing public funds to possible losses due to non-recovery.

In addition, Management did not provide evidence that the properties acquired using the loans were insured, charged and jointly registered and that the documents of title were in the custody of the Fund.

In the circumstances, the recoverability of receivables from exchange transactions of Kshs.40,727,726 could not be confirmed and Management was in breach of the law.

3. Unsupported Transfers

The statement of financial position and Note 12(A) to the financial statements reflects receivables from non-exchange transactions credit balance of Kshs.7,608,000. Review of bank statements provided for audit revealed that the balance was in respect of Kshs.9,310,700 transferred to and Kshs.1,702,700 received from the Car Loan Scheme Fund, resulting in net credit transfers balance of Kshs.7,608,000. However, the net transfers being a credit of Kshs.7,608,000 are wrongly disclosed and described as receivables from non-exchange transactions.

In addition, Management did not provide details of approvals and purpose of the transfers to the Car Loan Scheme Fund which is funded through the exchequer.

In the circumstances, the accuracy and regularity of receivables from non-exchange transactions credit balance of Kshs.7,608,000 could not be confirmed.

4. Unconfirmed Receivables from Exchange Transactions

The statement of financial position and Note 12 to the financial statements reflects current portion of long-term receivables from exchange transactions of Kshs.21,158,099 and non-current portion of long-term receivables from exchange transactions of Kshs.102,702,218, all totalling to Kshs.123,860,317. Review of financial records revealed the following matters:-

- i. The Note 12 reflects car grant offsetting mortgage receivable of Kshs.16,767,943, being an increase of Kshs.1,125,976 from the opening balance of Kshs.15,641,967. However, as previously reported, the Management did not provide evidence of transfer of any money from the Car Loan Fund nor recognize the debt owed by Taita Taveta County Assembly Car Loan Scheme Fund.
- ii. The mortgage loan movement schedule provided in support of the receivables from exchange transactions balance reflected mortgage loan closing balance of Kshs.106,608,763, resulting in unexplained variance of Kshs.17,251,554.
- iii. The mortgage loan movement schedule reflects accumulated principal amounts, accrued interest and penalties of Kshs.4,931,827. However, the amount was not included as a receivable from exchange transactions in the statement of financial position. Further, Management did not explain why the principal, interest and penalties recoveries were not received from the County Assembly since repayments for the loan are effected through check-off system from the borrowers' salaries.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.123,860,317 could not be confirmed.

5. Unsupported Revaluation Reserves

The statement of changes in net assets reflects Nil revaluation reserves balance. The balance was arrived at after downward adjustment of revaluation gain opening balance of Kshs.230,009 as at 30 June, 2021 by the same amount. However, Management did

not provide any evidence to support the revaluation gain. Further, the revaluation gain was indicated as a debit adjustment to the reserve, an indication that it was a loss wrongly disclosed as a gain.

In the circumstances, the accuracy of Nil revaluation reserves balance could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues.

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. Unsupported Additional Mortgage Disbursements

The statement of financial position and Note 12 to the financial statements reflects long-term receivables from exchange transactions of Kshs.123,860,316. Review of financial records revealed that Management disbursed mortgages of Kshs.17,216,282 during the year under review. Included in the balance, was an amount of Kshs.14,750,000, being additional mortgage disbursements to five (5) members of staff. Audit analysis of loans applications and information provided by Management indicated that the disbursements were in respect of loans that had not been fully disbursed. However, Management did not provide Mortgage Management Committee approval for audit verification.

Further, the additional disbursements were not supported by certificates from a qualified valuer confirming the level of development to warrant additional disbursement as provided under Regulation 9(1) of the Public Finance (Taita Taveta County Assembly Mortgage Scheme Fund) Regulations, 2014 which states that 'the subsequent disbursements shall be based on the rate of completion of the various phases of development as certified by a qualified valuer'.

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

2. Non-Payment of Fringe Benefits Tax

The statement of financial performance and Note 4 to the financial statements reflects interest income of Kshs.3,127,417. The interest was earned on the mortgage loans advanced to the members and staff of the County Assembly at the rate of 3% per annum. However, Management did not deduct and remit fringe benefits tax to Kenya Revenue Authority as required under Section 21B of the Income Tax Act, Cap 470 of the laws of Kenya.

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

3. Unapproved Budget

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.28,700,000 against actual income of Kshs.26,201,169, resulting in underfunding of Kshs.2,498,831 (or 9%). Further, the statement reflects an expenditure budget of Kshs.28,700,000 against actual expenditure of Kshs.27,113,742, resulting in under absorption of Kshs.1,586,258 or (6%).

In addition, Management did not provide evidence that the budget was submitted to the County Executive Committee Member for finance for approval, contrary to Regulation 149(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that, 'an accounting officer shall, in respect of the entity, (i) submit the estimates of an entity, which is not a county corporation, 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. I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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 County Assembly of Taita Taveta Mortgage Loan Fund 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 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 County Assembly of Taita Taveta Mortgage Loan Fund 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 County Assembly of Taita Taveta Mortgage Scheme 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

01 March, 2023

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

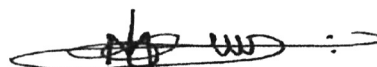
13. Statement of Financial Performance For The Year Ended 30th June 2022

	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	2,135,228	-
Total		2,135,228	-
Revenue From Exchange Transactions			
Interest Income	4	3,127,417	3,507,540
Other Income	5	-	-
Total		3,127,417	3,507,540
Total Revenue		5,262,645	3,507,540
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	586,760	3,179,280
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		586,760	3,179,280
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		4,675,885	328,260

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 21st November, 2022 and signed by:



.....
Name: CPA Gadiel Mnyambo Maghanga
Administrator of the Fund



.....
Name: CPA Joseph Waduu
Fund Accountant
ICPAK Member Number: 7006

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement of Financial Position as At 30 June 2022

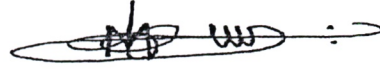
	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	24,354	6,199,572
Current Portion of Long- Term Receivables From Exchange Transactions	12	21,158,099	45,836,852
Receivable from Non -Exchange transactions	12A	-7,608,000	5,612,000
Prepayments	13	-	-
Inventories	14	-	-
		13,574,453	57,648,424
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	123,860,316	72,627,511
Total		123,860,316	72,627,511
Total Assets		137,434,769	130,275,936
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	3,039,859	3,193,901
Provisions	18	-	-
Current Portion of Borrowings	19	-	-2,867,000
Employee Benefit Obligations	20	-	-
Total		3,039,859	326,901
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		3,039,859	326,901
Net Assets		134,394,910	129,949,034
Revolving Fund		126,000,000	126,000,000
Reserves		0	230,009
Accumulated Surplus		8,394,910	3,719,025
Total Net Assets and Liabilities		134,394,910	129,949,034

Taita Taveta County Assembly Mortgage 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 21st November, 2022 and signed by:



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Taita Taveta County Assembly Mortgage 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	126,000,000	230,009	3,390,765	129,620,774
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	328,260	328,260
Transfers	-	-	(-)	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	126,000,000	230,009	3,719,025	129,949,034
Balance As At 1 July 2021	126,000,000	230,009	3,719,025	129,949,034
Surplus/(Deficit) For the Period	-	-	4,675,885	4,675,885
Funds Received During the Year	-	-	-	-
Transfers	-	-	(-)	-
Revaluation Gain	-	(230,009)	-	(230,009)
Balance As At 30 June 2022	126,000,000	-	8,394,910	134,394,910

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 21st November, 2022 and signed by:


 Name: CPA Gadiel Mnyambo Maghanga
 Administrator of the Fund


 Name: CPA Joseph Waduu
 Fund Accountant
 ICPAK Member Number: 7006

Taita Taveta County Assembly Mortgage 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

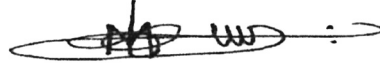
	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the county government	2	-	-
Interest received	4	2,643,806	3,006,982
Receipts from other operating activities		-	-
Total receipts		2,643,806	3,006,982
Payments			
Fund administration expenses	7	572,000	-
General expenses	7	14,760	23,280
Finance cost		-	-
Other payments		-	-
Total Payments		586,760	
Net cash flows from operating activities		2,057,046	2,983,702
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	24	16,592,018	33,469,511
Loan disbursements paid out	25	-17,216,282.00	-24,835,754
Net cash flows used in investing activities		-624,264.14	8,633,757
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings	12	-7,608,000	-5,612,000
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		-7,608,000.00	-5,612,000
Net increase/(decrease) in cash & cash Equivalents		-6,175,217.69	6,005,459
Cash and cash equivalents at 1 July 2021	11	6,199,571.95	194,113
Cash and cash equivalents at 30 June 2022	11	24,354	6,199,572

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)



.....
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Name: CPA Joseph Waduu
Fund Accountant
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Taita Taveta County Assembly Mortgage 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.	1,000,000	-	1,000,000	-	1,000,000	0%
Transfer from Car loan	2,000,000	-	2,000,000	1,702,700	297,300	85%
Interest Income	3,500,000	-	3,500,000	3,127,417	372,583	89%
Loan recoveries	19,500,000		19,500,000	19,235,824	264,176	99%
Other Income-Fines and penalties	2,700,000		2,700,000	2,135,228	564,772	79%
Total Income	28,700,000	-	28,700,000	26,201,169	2,498,831	91%
Expenses						
Fund Administration Expenses	600,000	-	600,000	-	600,000	0%
General Expenses-Use of goods	600,000	-	600,000	586,760	6,720	98%
Loans Advanced	17,500,000	-	17,500,000	17,216,282	283,718	98%
Transfer to Car loan	10,000,000		10,000,000	9,310,700	689,300	93%
Finance Cost	-	-	-	-	-	0%
Total Expenditure	28,700,000	-	28,700,000	27,113,742	1,586,258	94%
Surplus For The Period	-	-	-	-912,573	912,573	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

18. Notes to the Financial Statements

1. General Information

This entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Taita Taveta County Government and is domiciled in Kenya. The entity's principal activity is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the Scheme.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 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 cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued	<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</p>

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
Operations	sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

(iii) Early adoption of standards

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

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, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations on the FY 2021-2022 budget following the governing body's approval.

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

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

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

Summary Of Significant Accounting Policies (Continued)

c) Property, plant and equipment

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

d) Intangible Assets

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

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

e) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Summary Of Significant Accounting Policies (Continued)
Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

f) Inventories

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

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

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

g) Provisions

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

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

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

Contingent liabilities

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

Summary Of Significant Accounting Policies (Continued)
Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The Entity 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 entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

k) Foreign currency transactions

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

Summary Of Significant Accounting Policies (Continued)

l) 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.

m) Related parties

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

n) 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.

o) Comparative figures

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

p) Events after the reporting period

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

q) Ultimate and Holding Entity

The entity is a County Public Fund established by County Government Act no. 17 of 2012, under the Ministry of Finance and Planning. Its ultimate parent is the County Government of Taita Taveta.

r) Currency

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

18. Notes To The Financial Statements

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

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	-	-
Erroneous transfers to Mortgage Account	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	2,135,228	-
Fines	-	-
Total	2,135,228	-

These are penalties for loan defaulters to Mortgage scheme fund

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	2,643,806	3,006,981.71
Interest accrued from Mortgage fund	483,610	500,557.82
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	3,127,417	3,507,539.53

This is interest received from mortgage loan repayments by loanees

Taita Taveta County Assembly Mortgage 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	-	-
Total Other Income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (<i>Specify</i>)	-	-
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	-	-
Committee Allowances	572,000	156,000
Bank Charges	14,760	23,280
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs-Accrued	-	3,000,000
Postage And Courier	-	-
Printing And Stationery	-	-

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Description	2021/22	2020/21
	Kshs.	Kshs.
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Total	586,760	3,179,280

8. Depreciation and Amortization Expense

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

9. Finance costs

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

10. Gain/(loss) on disposal of assets

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

Taita Taveta County Assembly Mortgage 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
Taita Taveta Assembly Car Loan Account	-	-
Taita Taveta County Assembly Mortgage Account	24,354	6,199,572
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	24,354	6,199,572

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

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

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			
Kenya Commercial Bank		-	-
Co-operative Bank-Mortgage	1141222320000	24,354	6,199,572
Sub- Total		24,354	6,199,572
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		24,354	6,199,572

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable-Accrued interest	483,610	500,558
Current Loan Repayments Due	3,906,546	29,694,327
Other Exchange Debtors	-	-
Car Grant offsetting mortgage -receivable	16,767,943	15,641,967
Less: Impairment Allowance		
Total Current Receivables	21,158,099	45,836,852
Non-Current Receivables		
Long Term Loan Repayments Due	102,702,218	72,627,511
Total Non- Current Receivables	102,702,218	72,627,511
Total Receivables From Exchange Transactions	123,860,316	118,464,364

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	483,645	500,558
Accrued interest receivable from of long-term loans of previous years	-	-
Car Grant offsetting mortgage -receivable		15,641,967
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	3,906,546	29,694,327
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	102,702,218	72,627,511

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

12A: Receivables from Non-Exchange transaction

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfer from County treasury	-	-
Transfers from Car loan Fund . – TTCA	1,702,700	6,662,000
Transfers to Car loan Fund . – TTCA	-9,310,700	-1,050,000
Refund of borrowing from treasury	-	-
Total	-7,608,000	5,612,000

13. Prepayments

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

14. Inventories

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

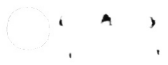
Notes To The Financial Statements (Continued)

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	(-)	(-)	-	-	(-)

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	(-)	(-)	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values					
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-



Taita Taveta County Assembly Mortgage Scheme 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-Overpayment by staffs	39,859	37,901
Refundable Deposits		156,000
Trade Payable- Staff Cost(Sitting allowance)		
Accrued Expenses	3,000,000	3,000,000
Other Payables- Accrued Insurance		-
Total Trade And Other Payables	3,039,859	3,193,901

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)	-	-	-	-

Taita Taveta County Assembly Mortgage Scheme 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	-	
Transfer from car loan to mortgage -2021/2022	-	
Transfer from mortgage to car loan 2021/2022	-	
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	-	-

Taita Taveta County Assembly Mortgage Scheme 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	-	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	(-)	(-)
Interest Income	2,643,806.45	(-)
Use of goods	(586,760.00)	-
Working Capital Adjustments		
Increase In Inventory	(-)	(-)
Increase In Receivables	(-)	(-)
Increase In Payables	-	-
Net Cash Flow From Operating Activities	2,057,046.45	-

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures

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

b) Related party transactions

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	1,702,700.00	-
Transfers To Related Parties	9,310,700.00	-

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	-	-

Taita Taveta County Assembly Mortgage Scheme 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 Xxx Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

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

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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

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

b) Liquidity risk management

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

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

	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	-	-	-	-

c) Market risk

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

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

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

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

i. Foreign currency risk

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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

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

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

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

Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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.

**Taita Taveta County Assembly Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

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	Budgetary Control and Performance	This is triggered by delay in disbursement of funds by national treasury	Not resolved	
2	Failure to Jointly Register and Insure Properties with Outstanding Loans	Attached proof of progress made in joint registration	Resolved	
3	Non-Payment of Fringe Benefits Tax	The fridge benefit is computed and included while paying Pay As You Earn for monthly salaries	Resolved	
4	Risk of Default on Repayment of Loans Advanced	Progress of recovery from defaulting MCA who served in 1st Assembly.	Resolved	

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.