

REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

OF

**THE AUDITOR-GENERAL**

ON

**KISII COUNTY ASSEMBLY  
MEMBER'S LOAN AND  
MORTGAGE FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Maj White
COMMITTEE	
CLERK AT THE TABLE	Maudim



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**KISII COUNTY ASSEMBLY  
MEMBER'S LOANS AND MORTGAGE FUND**

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

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

**Kisii County Assembly Member's Loans and Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

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Kisii County Assembly Member's Loans and Mortgage Fund  
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1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
CASB	County Assembly Service Board
ECL	The expected credit loss
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
IR	In Receivership
KDIC	Kenya Depository Insurance Corporation
Kshs	Kenya Shillings
MCA	Member of County Assembly
OAG	Office of Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SBM	State Bank of Mauritius
SNA	System of National Accounts SNA
SRC	Salaries and Remuneration Commission

b) Glossary of Terms

FY	Financial Year
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**Kisii County Assembly Member's Loans and Mortgage Fund**  
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**2. Key Entity Information and Management**

**a) Background information**

Kisii County Assembly Member's Loan and Mortgage Fund is established by and derives its authority and accountability from Kisii County Assembly Loan and Mortgage Fund Schemes Act, 2014. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The object and the purpose of the fund is to enable loans and mortgages to be advanced to members and employees of the Kisii County Assembly as maybe prescribed by the Salaries and Remuneration Commission (SRC).

Section 116 of the Public Finance Management Act, 2012 empowers the County Executive Committee member for Finance to establish County Public Funds with approval of the County Executive Committee and the County Assembly. Subsection 7 requires the administrator of the County public fund to prepare accounts for each financial year and submit them to the Auditor General.

Arising from the above-mentioned provisions and as advised by the Salaries and Remuneration Commission (SRC) on the benefits to be enjoyed by the members of the County Assemblies, vide circular ref; SRC/TC/CGOVT/3/16 dated 27<sup>th</sup> November, 2013, the Kisii County Executive Committee Member for Finance and Economic Planning authorised the establishment of the Car loan and Mortgage scheme fund with the approval of County Assembly in April 2014. Chase Bank (K) was subsequently appointed the first administrator of the Fund. Currently State Bank of Mauritius (SBM BANK) is the administrator of the Fund after Chase Bank Ltd went under Receivership in April 2016.

**b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to provide Mortgages and Car loans to Members of Kisii County Assembly and Staff.

**Vision**

A model fund of choice for Members and Staff of County Assembly of Kisii.

**Mission**

To provide affordable, accessible and sustainable Mortgages and Car loans to Members and Staff of the County Assembly of Kisii.

**Core Values**

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity and team work.

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c) Fund Administration Committee

Ref	Name	Position
1	Hon. Henry Moracha	Chairperson
2	Hon. Denis Ombachi	Vice chairperson
3	Hon James Ondari	Member
4	Hon. Ibrahim Mose	Member
5	Hon. Claire Obino	Member
6	Mr. Jacob Onkeo	Secretary
7	Mr. Moses Ratemo	Member
8	Mr. Robin Nyakundi	Member
9	Ms Brenda Nyamwaya	Member

d) Key Management Team

Ref	Name	Position
1	Mr. Jacob Onkeo	Fund Administrator
2	Mr. Dennis Aamba	Fund Accountant

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

The key management personnel who held office during the year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

SN	Position	Name
1	Directorate Internal Audit	Mr. Elias YogeNgere
2	Staff car Mortgage and car Loan Advisory Committee	
3		

f) Registered Offices

P.O. Box 4552- 40200  
Old Municipal Building  
Kisii - Kilgoris Road/Highway  
Kisii, KENYA

**Kisii County Assembly Member's Loans and Mortgage Fund**  
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**g) Fund Contacts**

Telephone: (254) 0208029160

E-mail: [countyassembly@kisii.go.ke](mailto:countyassembly@kisii.go.ke)

Website: [www.kisii.go.ke](http://www.kisii.go.ke)

**h) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

2. SBM Bank Limited  
Kisii Branch  
P.O Box 34886-00100  
Nairobi.

**i) Independent Auditors**



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

**j) Principal Legal Adviser**




The Director  
Legal and Legislative Services  
Kisii County Assembly,  
P.O. Box 4552-40200  
Kisii.

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**3. Fund Administration Committee**

Name	Details of qualifications and experience
 <p><b>Hon. Henry Moracha</b> MCA Bassi Central Ward Leader Majoriy.</p>	<p><b>Hon. Henry Moracha – Chair – Loan and Mortgage Management Committee</b></p> <p>Hon. Henry Moracha was elected as the Leader Majority Party in the 3<sup>rd</sup> Assembly on September 2022. He is the Member of County Assembly for Bassi Central ward. He is serving in the second term as a Member of County Assembly having been elected to the first Assembly County Assembly in 2013. During his tenure in the first Assembly, he was the Chief Whip Majority and brought several pieces of legislation and motions. Currently he is the chairperson of the selection committee, vice chairperson of committee on appointment and a Member of House Business committee.</p>
 <p><b>Mr. Jacob M. Onkeo</b> Clerk</p>	<p><b>Mr. Jacob M. Onkeo-</b> Mr. Jacob Onkeo is a Masters Holder of Education Planning and Economics from the Kenyatta University and Bachelor of Arts in Education from the same University. He is currently pursuing his PhD. Earlier he served as a teacher in several high schools and later promoted to Deputy Principal. He worked as a part time lecturer in Kisii University and Kenya Institute of Management.</p> <p>He is also the Chairman of the school Board of Management.</p> <p>He joined the County Assembly of Kisii as a principal research Officer and later promoted to the Director Chamber and procedural services. Currently is acting as the Clerk and Secretary to the County County Assembly Service Board.</p> <p>His duties include rendering of procedural advisory to the Speaker and Members of County Assembly. He is also the chief administrative officer, accounting and authorised officer of the County Assembly.</p> <p>Mr. Onkeo is a dedicated and Experienced public servant committed to promote transparency, accountability and good governance.</p>

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 <p><b>Hon. James Ondari</b></p>	<p><b>Hon. James Ondari:</b> He is an Elected Member of County Assembly from BoochiTendere Ward. He is Member of the County Assembly Service Board. (CASB) nominated to represent the majority party/Coalition of parties in the CASB. He boasts 20 years of Experience in Leadership in various capacities.</p>
 <p><b>Hon. Denis Ombachi</b></p>	<p><b>Hon. Denis Ombachi</b> is an Elected Member of County Assembly representing Marani Ward. He is the Leader of Minority in the County Assembly. Hon. Ombachi is the vice chairman of the Car Loan and Mortgage Fund Management Committee.</p>
 <p><b>Hon. Ibrahim Mose</b></p>	<p><b>Hon. Ibrahim Mose:</b> He is an Elected Member of County Assembly from Bobaracho Ward. He was appointed to be a Member in the Loan and Mortgage Fund Management Committee to represent special interest groups. He has a wealth of experience in Management.</p>

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 <p><b>Mr. Moses Ratemo</b></p>	<p><b>Mr. Moses Ratemo</b> is currently serving as the Director Finance and Accounting Services.</p> <p>He holds a Bachelor of Commerce Degree in Accounting Option from Egerton University and is currently pursuing a Master's of science in Finance and Accounting at Mt. Kenya University. a Member in the Loan and Mortgage Fund Management Committee.</p> <p>Mr. Ratemo has over 20 Years' experience in Accounting and Finance in public Service.</p>
 <p><b>Mr. Robin Nyakundi</b></p>	<p><b>Mr. Robin Nyakundi</b> is currently serving as a Finance Officer at Kisii County Assembly and he is a Member in the Loan and Mortgage Fund Management Committee.</p> <p>He holds a Bachelor of Business and Management, Banking and Finance Option from Kisii University.</p> <p>He boasts 11 years' experience in Finance and Accounting in public Service.</p>
 <p><b>Ms Brenda Nyamwaya</b></p>	<p><b>Ms Brenda NyakangaNyamwaya</b> is an Advocate of High Court of Kenya holds a Bachelor of Law Degree (L.L.B) from the Catholic University of Eastern Africa. She holds a Post-graduate diploma from The Kenya School of Law.</p> <p>She is currently serving as a Senior Legal Counsel with 4 years' experience at Kisii County Assembly and a Member of the Loan and Mortgage Fund Management Committee.</p>

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**4. Management Team**

 <p><b>Mr. Jacob M. Onkeo</b> Ag. Clerk</p>	<p><b>Mr. Jacob M. Onkeo-</b> Mr. Jacob Onkeo is a Masters Holder of Education Planning and Economics from the Kenyatta University and Bachelor of Arts in Education from the same University. He is currently pursuing his PhD. Earlier he served as a teacher in several high schools and later promoted to Deputy Principal. He worked as a part time lecturer in Kisii University and Kenya Institute of Management. He is also the Chairman of the school Board of Management.</p> <p>He joined the County Assembly of Kisii as a principal research Officer and later promoted to the Director Chamber and procedural services. Currently is the acting as the Clerk and Secretary to the County County Assembly Service Board. His duties include rendering of procedural advisory to the Speaker and Members of County Assembly. He is also the chief administrative officer, accounting and authorised officer of the County Assembly.</p> <p>Mr. Onkeo is a dedicated and Experienced public servant committed to promote transparency, accountability and good governance in Kisii County Assembly.</p>
 <p><b>CPA Dennis Aamba- Fund Accountant</b></p>	<p><b>CPA Dennis Aamba–Fund Accountant</b></p> <p>CPA Dennis Aamba is currently serving as a Finance Officer at Kisii County Assembly. He holds a Bachelor in Business Management Accounting option from Maasai Mara University, Masters in Business Administration Finance Option from The University of Nairobi and is currently pursuing a PHD in Business administration Finance option from The University of Nairobi.</p> <p>He is a member of ICPAK in Good Standing. CPA Aamba is a chairperson of the Board of Management in High school.</p> <p>He boasts 10 years' experience in Accounting, Audit and Finance in Public Service.</p>

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**5. Board/Fund Chairperson's Report**

The Financial Statements of the Kisii County Assembly Member's Loan and Mortgage Fund was prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) and in compliance with Section 107 and 149 of Public Finance Management Act, 2012.

The principal objective and purpose of establishing the fund was to enable members of the County Assembly and Staff to acquire Member's loans and Mortgage Fund facilities. This would better their Economic and Social welfare and improve on Service Delivery in their line of duty. The Salaries and Remuneration Commission (SRC), through gazette notice No. 6516 dated 7<sup>th</sup> July, 2017 gave guidelines on the benefits to be enjoyed by each member. It allowed Members of the County Assembly a maximum Car loan of up to Kshs. 2 Million and a Mortgage facility not exceeding Kshs. 3 Million. However, the commission reviewed terms and allowed the merging of Car loan and Mortgage benefit for MCAs and advised that the benefits could be consolidated as one and be capped at Kshs. 5 Million for purchase of a Car and/or Mortgage facility. This was through Circular Ref. No: SRC/TS/CAF/3/61/49(46) dated 13 December, 2017.

In this Third Assembly, the Management of the Fund cumulatively advanced a total of **Kshs. 352,55,310** Car Loan and Mortgage funds to Members. As at the Financial Year ended 30<sup>th</sup> June 2024 68 County Assembly Members including the Speaker benefited from this Facility. We are glad that the Recovery process is going on well. We have so far recovered **Kshs. 102,555,647** with an outstanding amount of **Kshs. 249,998,663**.

Further, the Fund Management Committee is deliberating on possible modalities of ensuring that Members of staff start benefiting from this facility in future.

I look forward to your continued support in the year 2023/2024.

Name: Hon. Henry Moracha

Signature.....

Date...10/12/2024

Chairperson of the Fund

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**6. Report of the Fund Administrator**

We entered into a Memorandum of Understanding with the Kisii County Assembly Service Board on 6<sup>th</sup> December 2017 after a series of meetings. During that period i.e. from 2013 to 2017, we disbursed Kshs. 260 million to 72 members of County Assembly. By the time we were disbursing the loans, nearly all members of County Assembly did not qualify for full amounts because enough seed money was not deposited with the bank as the Assembly appeared to have funding challenges. This explains the fact that only Kshs. 260 million was disbursed to MCAs as opposed to Kshs. 360 million that would have allowed disbursement of Kshs. 5 million to each MCA as per the SRC guidelines then.

By August 2017, all loans had been fully repaid. We did not face any challenges in recoveries save for the fact that the bank (Chase Bank Ltd) was put under receivership in April 2016. In the month of September 2017, the County Assembly Service Board asked for a full refund of Kshs. 260 million from the bank. During this period, the bank was under receivership and such refund would not have been possible. A number of meetings were held between the Bank, The Receiver Manager and the Kisii County Assembly Service Board. Subsequently, with the concurrence of the Central Bank of Kenya, funds were availed to the tune of Kshs. 336 million for disbursement to the MCAs.

Since November 2022, a total of 68 loan beneficiaries received **Kshs. 352,554,310**. The management has since recovered **Kshs. 102,555,647** leaving an outstanding loan balance of **Ksh. 249,998,663** as at 30<sup>th</sup> June 2024.

It is my pleasure to present the Kisii County Member's loan and Mortgage Fund financial statements for the year ended 30<sup>th</sup> June 2024. The financial statements present the financial performance of the fund over the past year.

**Financial Performance**

**a) Revenue**

In the year ended 30<sup>th</sup> June, 2024, the fund had no projected revenues since the fund had no surplus funds to book for income.

In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue			
Public contributions and donations	-	-	-
Transfers from County Govt.	-	-	-
Interest income	9,000,000	8,887,562	99%
Fines, penalties and other levies	-	-	-
Other income	-	-	-
<b>Total income</b>	<b>9,000,000</b>	<b>8,887,562</b>	<b>99%</b>

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**COMPARISON BETWEEN REVENUE BUDGET AND ACTUALS**



**b) Loans**

During the financial year 2023/2024, total loans of **Kshs. 352,554,310** were disbursed. Only 68 Members including the Speaker got loans except 6 who are awaiting determination of their election petitions pending in court. Efforts on effective and appropriate loan recoveries are on, geared towards ensuring that there are no defaults. As at 30<sup>th</sup> June 2024 a total of **Kshs. 102,555,647** has already been recovered with an outstanding balance of **Kshs. 249,998,663**.

**Cash flows**

In the financial ending 30<sup>th</sup> June, 2024, the cash and cash equivalents balance brought down was **Ksh. 25,199,566**. A total of **Kshs. 102,555,647** loan recoveries were made as at 30<sup>th</sup> June, 2024 leaving an outstanding loan balance of **Kshs. 249,998,663**. The cash and cash equivalents therefore, increased by **Kshs. 77,356,081**. The increase was mainly as a result of loan repayments.

**c) Conclusion**

FY 2023/2024 was a good year in general. Good progress was made and the momentum has been created to enable Kisii Car loan & Mortgage fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years. I therefore take this opportunity to thank the board of trustees for their support. I would also want to thank all the members of the County Assembly and staff whom we have worked with hand in hand to ensure that Kisii Car loan & Mortgage fund achieves its mission. We are looking forward to working with you.

Signed: \_\_\_\_\_

Name: **Jacob M. Onkeo**  
 Clerk, Kisii County Assembly

**Kisii County Assembly Member's Loans and Mortgage Fund**  
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**7. Statement of Performance against the County Fund's Predetermined Objectives**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of 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.

The key development objectives of the Fund as per the strategic plan for 2018 to 2023 are to:

- a) Provide funds to enable loans and mortgage to be advanced to members and employees of the Kisii County Assembly for the purchase, development, renovation or repair of property and or the purchase of vehicles.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Nil Number of mortgages successfully applied	0 % of staff taking Mortgage facilities	During FY ,2023/2024 Members of staff did not access the facility because of lack of funds.
Provision of Car loan and Mortgage facilities to all members of County Assembly	To ensure all Members of County Assembly have access to Car loan and Mortgage facilities.	68 Members of County Assembly successfully applied for Car loan and Mortgages.	92 % of Members of County Assembly took Car loan and Mortgage facilities.	During FY ,2023/2024 Six (6) Members of County Assembly were not able to access the facility because; three of them had a petition in court while the other three were not willing to take the facility.

## 8. Corporate Governance Statement

### The Fund

The Kisii County Assembly Car Loan Scheme is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/TS/WH/3/14 of 14<sup>th</sup> February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate is to provide Car loans and Mortgage to members of the County Assembly and staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of trustees at its apex. The operations of the fund are governed by Kisii County Assembly Car Loan and Mortgage Act 2014. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### The Loan and Mortgage Management Committee

Section 7(1) of Kisii County Assembly Member's Loan and Mortgage Fund Act, 2014 provides that the Committee shall consist of the following members:

- (a) The leader of Majority party who shall be the chairperson;
- (b) The leader of minority party who shall be the vice chairperson;
- (c) Two members of the county assembly of different gender, nominated by the members of county assembly to represent special interest groups;
- (d) One person of the public appointed to the County Assembly Service Committee under section 12 (3) (d) of the County Government Act (2012).
- (e) The Clerk who shall be the secretary to the committee.
- (f) The Director, Finance and Budget Affairs
- (g) Two members of different gender representing the staff in the committee"

The Committee is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The Committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Committee members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund administrator but the board of trustees is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the Committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The trustees are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties. At the end of each financial year, the Committee, its sub-committees, individual members and the Fund Administrator are evaluated by an independent body against targets agreed to at the beginning of the year.

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**Committee Meetings**

The board of trustees meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets in the performance contract signed with the county assembly. The board of Management also plays an oversight role over all other financial and operational issues. The Management held six full board and two special board meetings during the FY 2023/2024.

**Audit and Risk Committee**

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the board of trustees has established an audit and risk committee. The committee was established to advise the board of trustees on institutional risk management and compliance. The committee held five meetings during the year. The committee also met the Fund's external auditors OAG to deliberate on risk management issues. The members of this committee during the year under review were:

S/No.	Name	Position	Period Served
1	CPA Evans O. Onwonga	Chairperson	10 <sup>th</sup> August 2023 to date
2	Ms. Lydia M. Orina	Member	10 <sup>th</sup> August 2023 to date
3	Mr. Bonface O. Ondoro	Member	10 <sup>th</sup> August 2023 to date
4	Elias Y.Ngere	Member	10 <sup>th</sup> August 2023 to date

**Statement of Compliance**

The board of Management confirms that the fund has throughout the FY2023/2024 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

**Internal Control and Risk Management**

The Committee members are responsible for reviewing the effectiveness of the Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

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**Standing Instruction**

The Fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

**Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

**Strategic Plan**

The business of the Fund is determined by the strategic plan. The strategic plan sets out the objectives of the Fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

**Internal Control Framework**

The Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the Audit and Risk Committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2023/2024.

**Risk Management**

The fund has in place a risk management framework which guides the fund in identifying, assessing and managing the risks. The fund has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the head of internal audit, who reviews all the risks in the fund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the audit and risk committee to assist the board in the management of risks.

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**Management Team**

The Management team headed by the Fund Administrator implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**Auditor**

The Fund is audited by the Auditor-General.

**Kisii County Assembly Member's Loans and Mortgage Fund**  
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**9. Management Discussion and Analysis**

When SBM Bank took over the Management of the Kisii County Assembly Member's Loan and Mortgage Fund it inherited three (3) bank accounts that had been opened by Chase Bank (IR) which was under Receivership. It consolidated them to one Account namely **Kisii County Assembly, Mortgage and Car Loan Fund a/c. Number 0252096101001**. The Accounts held total deposits of **Ksh.540 Million**.

The three (3) deposit accounts had balances as follows;

	Account No.	Date Of Deposit	Amount (Ksh)	Total Balance
1.	0252096101002	28/04/2014 06/05/2014	30 Million 70 Million	100 Million
2.	025209101003	01/07/2014 24/09/2014 31/10/2014	40 Million 40 Million 50 Million	90 Million
3.	0252096101001	27/03/2015 08/02/2016 07/05/2018	20 Million 10 Million 30 Million	60 Million
4.	0252096101001	30/01/2019 15/04/2019	25 Million 25 Million	50 Million
5	0252096101001	30/12/2022	25 Million	25 Million
6	0252096101001	9/3/2023 17/4/2023 14/6/2023	25 Million 25 Million 25 Million	75Million
7	0252096101001	11/09/2023	50 Million	50 Million
8	0252096101001	23/11/23	50 Million	50 Million
	<b>Total receipts since inception</b>			<b>540 Million</b>

Note that **Kshs.260 million** was held by Chase Bank limited as at the time it was put under receivership in April 2016. Only **Kshs.1 million** could be withdrawn from each of the 3 accounts at that time. Therefore, Kshs.257 Million was held under moratorium and according to SBM Bank 25% of this (**Kshs.64, 250,000**) is still held by Kenya Deposit Insurance Corporation (KDIC).

## 10. Environmental and Sustainability Reporting

### i. Sustainability strategy and profile -

The County Assembly has developed a five-year strategic plan (2018-2023) that outlines the Objectives and activities that will guide us in deepening our parliamentary culture and improving the administrative mechanisms of our institution to better serve the public. The plan provides a framework for resource planning to enhance the performance of the Assembly's Core mandate of Legislation, Oversight and Representation.

### ii. Environmental performance

The County Assembly through standing order 191 has established a standing Committee on Energy, Water, Environment & Natural Resources which is mandated to consider all matters relating to Implementation of specific government policies on Natural Resources and environmental conservation including Soil, Water, Forestry, Energy and Control of Air & water pollution and other public Nuisances.

### iii. Employee welfare

The County Assembly has developed a Human Resource Manual that outlines best human resource management practices and employee welfare. The assembly also has in place a training policy manual that guides in managing the training needs of the assembly. All the members of the County Assembly are covered under medical insurance scheme.

### iv. Market place practices-

#### a) Responsible competition practice.

All our engagements with suppliers, business partners and other stakeholders is done competitively through open platforms and in line with relevant laws and regulations. The Assembly emphasises Zero tolerance to corrupt practices.

#### b) Responsible Supply chain and supplier relations.

The Assembly has fully embraced the Electronic Procurement System through the Government recommended Integrated Financial Management Information System (IFMIS). All our procurement is done as per the Public Procurement and Disposal Act 2015. The management ensures Suppliers are promptly paid and discourages instances of accumulated pending bills.

#### c) Responsible marketing and advertisement.

The County Assembly disseminates its marketing and advertising information through open media with a wider coverage. The assembly follows ethical marketing practices and favourably responds to feedback.

#### d) Product stewardship

The Assembly ensures that product Quality and Safety meets the acceptable standards. The inspection and acceptance committees take responsibility of making sure that products and services are of good and standard quality and meet user expectations.

**Kisii County Assembly Member's Loans and Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

v. **Corporate Social Responsibility / Community Engagements**

The County Assembly of Kisii aims to improve the livelihoods of the people of Kisii County through effective Legislation, Oversight and Representation. We are guided by Our Core Values which include; Inclusivity, the rule of law, Democracy, Equity, good Governance, Integrity, Transparency and Accountability. The quest for The Kisii County Assembly Car Loan and Mortgage Fund Management to initiate Corporate Social Responsibility with a positive impact to Society has been hampered by lack of Resources.

**Kisii County Assembly Member's Loans and Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

**11. Report of the Directors/ Fund Committee**

The Committee Members submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to enable members of the County Assembly and Staff to access mortgages and car loans as may be prescribed by the Salaries and Remuneration Commission.

**Results**

The results of the Fund for the year ended June 30, 2024 are set out on pages 1-26.

**Members of the Loan and Mortgage Management Committee**

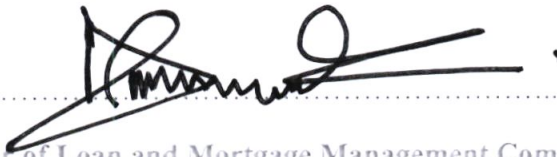
The members of the Loan and Mortgage Management Committee who served during the year are shown on page iv and Section 2 of this document

**Auditors**

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

By Order of the Board

**Hon. Henry Moracha**



.....

Chair of Loan and Mortgage Management Committee

Date: 10/12/2024

**Kisii County Assembly Member's Loans and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

**12. Statement of Directors /Fund Committee 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 Kisii County Assembly Member's Loans and Mortgage Fund Regulation, 2018 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, 2024. 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.

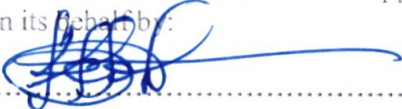
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kisii County Assembly Member's Loans and Mortgage Fund Regulation, 2018. 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, 2024, 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. OR

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 \_\_\_08/08\_\_\_ 2024 and signed on its behalf by:

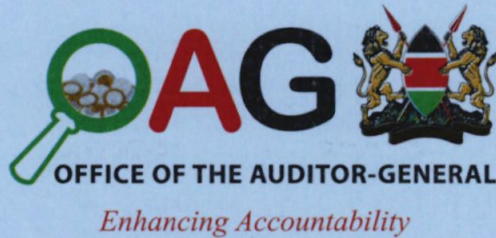


.....

**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY ASSEMBLY MEMBER'S LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided 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 Kisii County Assembly Member's Loan and Mortgage Fund set out on pages 1 to 27, which comprise the statement of financial position as at 30 June, 2024, and the statement of financial performance,

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*Report of the Auditor-General on Kisii County Assembly Member's Loan and Mortgage Fund for the year ended 30 June, 2024*

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

In my opinion, except for the 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 Kisii County Assembly Member's Loan and Mortgage Fund as at 30 June, 2024 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**

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

Review of the financial statements revealed the following anomalies:

- i. Note 1 to the financial statements reflects nil comparative (2022/2023) amount in respect of interest income, which differs with Kshs.2,649,406 reported in the corresponding note in the previous year's audited financial statements. The resultant variance of negative Kshs.(2,649,406) has not been explained.
- ii. The statement of financial position and statement of changes in net assets shows reflect nil accumulated surplus balance as at 30 June, 2024. However, the balance differs with the recomputed balance of Kshs.4,585,196, resulting in an unexplained variance of negative Kshs.(4,585,196). The statement of changes in net assets reflects revolving fund balance as at 1 July, 2023 of Kshs.302,585,196 which differs with the closing balance as at 30 June, 2023 of Kshs.298,000,000, resulting in an unreconciled variance of Kshs.4,585,196.

Management has explained that the variance of Kshs.4,585,196 represents interest income transferred from revolving fund to revolving fund. However, no explanation was provided on why the adjustment was done on the opening balance of Kshs.298,000,000 and not during the year 2023/2024.

- iii. The first table of Note 7 to the financial statements on borrowings reflects nil comparative balance, instead of the Kshs.113,164,804 reported in the previous year, resulting in an unexplained variance of negative Kshs.(113,164,804).

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

### **2.0. Unsupported Amounts in the Financial Statements**

#### **2.1. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.88,336,533 which, as disclosed in Note 4 to the financial statements, represents

balance in Fixed Deposit account. However, the bank reconciliation statement was not provided for audit.

Further, as previously reported, the Fund had an initial balance of Kshs.25,199,566 in a fixed deposit account. However, the fixed deposit account had a balance of Kshs.135,587,817 as at 1 July, 2022. The amount was put on call account at an interest rate of 7% p.a. and earned interest amounting to Kshs.2,649,406 during the financial year 2022/2023. However, documentary evidence showing the signatories of the bank account was not provided for audit. Further, the Account is not disclosed in the 2023/2024 financial statements and there is no documentary evidence that it was closed and the money transferred to other account.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.88,336,533 as at 30 June, 2024 could not be confirmed.

## **2.2. Unsupported Interest Income**

As disclosed in Note 1 to the financial statements, the statement of financial performance reflects interest income of Kshs.8,437,029. However, the detailed interest schedules and individual account statements indicating the interest accrued was not provided for audit. In the circumstances, the accuracy and completeness of the interest income of Kshs.8,437,029 could not be confirmed.

## **2.3. Unsupported Fund Administration Expenses**

The statement of financial performance reflects fund administration expenses amount of Kshs.8,437,029. The amount represents interest earned which was deducted and held at source by a financial institution as administrative expenses. This was contrary to the provisions of Regulation 63(4) of the Public Finance Management (County Governments) Regulations, 2015. In addition, the three percent (3%) charged by the bank was not supported by an amortization schedule of the individual loan account.

In the circumstances, the accuracy, completeness and propriety of the expenditure of Kshs.8,437,029 could not be confirmed.

## **2.4. Unsupported Current Portion of Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects a balance of Kshs.82,617,937 in respect of current portion of long-term receivables from exchange transactions. However, the supporting amortization schedule provided for audit did to have a summary showing the balance of Kshs.82,617,937.

In the circumstances, the accuracy and completeness of the current portion of long-term receivables from exchange transactions balance of Kshs.82,617,937 could not be confirmed.

## **2.5. Unsupported Long-Term Receivables from Exchange Transactions**

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs.167,380,726 as disclosed in Note 5 to the financial statements. However, the supporting amortization schedule provided for audit did to have a summary supporting the balance.

In the circumstance, the accuracy and completeness of the long-term receivables from exchange transactions balance of Kshs.167,380,726 could not be confirmed.

## **2.6. Unsupported Long-Term Receivables from Non-Exchange Transactions**

The statement of financial position reflects long-term receivables from non-exchange transactions balance of Kshs.64,250,000 as disclosed in Note 9 to the financial statements. The money was held in Kenya Deposit Insurance Corporation in relation to money that was held in the Chess Bank that went into receivership. However, there is no evidence that an application has been done or any effort has been made to recover the money.

In the circumstances, the accuracy and completeness of the balance of Kshs.64,250,000 in respect of long-term receivables from non-exchange transactions could not be confirmed.

## **2.7. Unsupported Amounts in the Statement of Cash Flows**

The statement of cash flows reflects proceeds from loan principal repayments, loan disbursements paid out and loan repayment amounts of Kshs.77,356,081, Kshs.1,054,310 and Kshs.113,164,804 respectively. However, the supporting loan schedules provided for audit did to have summaries for each of these amounts.

In the circumstance, the accuracy and fair presentation of the statement of cash flows could not be confirmed.

## **3.0. Unsupported Loan Disbursements**

The statement of cash flows reflects loan disbursements paid out of Kshs.1,054,310. However, documents in support of mortgages granted to members, including copies or the designs, bills of quantities in respect of the proposed development, renovation or repair, an official search of the title to the property intended to be purchased and a certified copy of the sale agreement relating to the property were not provided for audit.

Further, the log-books of the vehicles subject to loans from the Fund were not issued jointly between the Kisii County Assembly and the Member's of the Scheme, contrary to Regulation 13(4) of the Public Finance Management (Kisii County (Member's) Car Loan and Mortgage Scheme Fund)) Regulations, 2018, which states that the log-book of a vehicle subject to a loan from the Fund shall be issued jointly between the Kisii County Assembly and the member of the Scheme and shall be kept in the custody of the Secretary until the loan is repaid in full by the member or the Scheme.

In addition, there no evidence was provided to confirm that the vehicles purchased under the scheme were comprehensively insured as required by Regulation 18(1) of the Public Finance Management (Kisii County (Member's) Car Loans and Mortgage Scheme Fund) Regulations, 2018.

In the circumstances, the accuracy and completeness of the amount of Kshs.1,054,310 in respect of loan disbursements could not be confirmed. Also, Management was in breach of the law.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

Various issues raised in the report for the previous financial year remained unresolved as at 30 June, 2024, and Management has not provided satisfactory reasons for the delay in resolving this prior year audit matters.

### **Other Information**

The Management is responsible for the other information set out on pages iii to xxii which comprises Key Entity Information and Management, Fund Administration Committee, Management Team, Board/Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment and Sustainability Reporting, Report of the Directors/Fund Committee and Statement of Directors/Fund Committee Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Kisii County Assembly Member's Loan and Mortgage Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material

misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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**

#### **1.0. Failure to Register Charges on Securities**

Review of the title deeds and log books securing the mortgages and car loans revealed that the Fund had not registered charges on the ownership documents to reflect its interest in the properties and secure the outstanding loans. This was contrary to the provisions of Regulation 16(1) of the Public Finance Management (Kisii County (Member's) Car Loan and Mortgage Scheme Fund)) Regulations, 2018. Also, the Fund may not be able to recover the outstanding loan balance in case of default in repayment of the loans by the beneficiaries.

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

#### **2.0. Lack of Mortgage Protection Policy and Motor Insurance**

Review of records revealed that the motor vehicles acquired through loans granted to members did not have comprehensive insurance policies, contrary to the provisions of Regulation 18(1) of the Public Finance Management (Kisii County (Member's) Car Loan and Mortgage Scheme Fund)) Regulations, 2018. Further, there were no charges registered on the property financed through mortgages granted and the Fund Administration Committee did not take custody of the ownership documents and title deeds, contrary to the provisions of Regulation 17(1) of the Public Finance Management (Kisii County (Member's) Car Loans and Mortgage Scheme Fund)) Regulations, 2018. Therefore, the Fund may not be able to recover the outstanding loan balance in case of any unforeseen occurrence or default in repayment of the loans by the beneficiaries.

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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

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

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the 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, the Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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


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

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

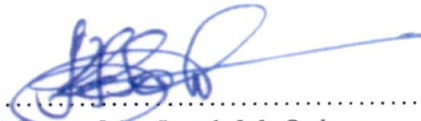
**23 December, 2024**

**Kisii County Assembly Member's Loans and Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

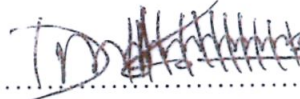
**14 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

Description	Note	2023-2024	2022-2023
		Kshs.	Kshs.
<b>Revenue from exchange transactions</b>			
Interest income	1	8,887,562	2,649,406
<b>Total revenue</b>		<b>8,887,562</b>	<b>2,649,406</b>
<b>Expenses</b>			
Fund administration expenses	2	8,887,562	-
Use of goods and services	3		
<b>Total expenses</b>		<b>8,887,562</b>	<b>-</b>
<b>Surplus for the period</b>	8	<b>-</b>	<b>2,649,406</b>

The notes set out on pages 6 to 26 form an integral part of these Financial Statements



Name: Mr. Jacob M. Onkeo  
 Administrator of the Fund



Name: Dennis Aamba  
 Fund Accountant  
 ICPAK Member Number: 17821


Kisii County Assembly Member's Loans and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024

15 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2024

Description	Note	2023-2024	2022-2023
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	88,336,533	25,199,566
Current portion of long-term Receivables from exchange transactions	5	82,617,937	
<b>Total current assets</b>		<b>170,954,470</b>	
<b>Non-current assets</b>			
Long term receivables from exchange transactions	5	167,380,726	326,300,434
Long term receivables from non-exchange transactions	9	64,250,000	64,250,000
<b>Total non- current assets</b>		<b>231,630,726</b>	
<b>Total assets</b>		<b>402,585,196</b>	<b>415,750,000</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions			
Current Portion of Borrowings	7	-	113,164,804
<b>Total current liabilities</b>		<b>-</b>	<b>113,164,804</b>
<b>Represented By:</b>			
Revolving fund		402,585,196	298,000,000
Accumulated surplus		-	4,585,196
Proceeds from revolving fund receipts		-	-
<b>Total net assets</b>		<b>402,585,196</b>	<b>302,585,196</b>
<b>Net Asset</b>		<b>402,585,196</b>	<b>415,750,000</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 08/08/2024 and signed by:

  
Name: Mr. Jacob M. Onkeo  
Administrator of the Fund

  
Name: Dennis Aamba  
Fund Accountant  
ICPAK Member Number: 17821

Kisii County Assembly Member's Loans and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024

16 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup>  
 JUNE 2024

Description	Revolving Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	198,000,000	1,935,790	199,935,790
Surplus/(deficit) for the period	-	2,646,406	2,646,406
Funds received during the year	100,000,000	-	100,000,000
Loan disbursement paid out	-	-	-
Balance as at 30 June 2023	298,000,000	4,585,196	302,585,196
Balance as at 1 July. 2023	302,585,196	-	302,585,196
Surplus for the period	-	-	-
Funds received during the year	100,000,000	-	100,000,000
Balance as at 30 <sup>th</sup> June. 2024	402,585,196	-	402,585,196

Kisii County Assembly Member's Loans and Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024

17 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024

Description	Note	2023-2024	2022-2023
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
Receipts			
Interest Earned			
Interest received/Earned	1	8,887,562	2,649,406
<b>Total Receipts</b>		<b>8,887,562</b>	<b>2,649,406</b>
Payments			
Fund administration expenses	2	8,887,562	-
Use of goods and services			
<b>Total Payments</b>		<b>8,887,562</b>	
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>-</b>	<b>2,649,406</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		77,356,081	25,199,566
Loan disbursements paid out		(1,054,310)	(351,500,000)
<b>Net cash flows used in investing activities</b>		<b>76,301,771</b>	<b>326,300,434</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		100,000,000	100,000,000
SBM Bank Borrowing		-	113,164,804
Loan repayment		(113,164,804)	-
<b>Net cash flows used in financing activities</b>		<b>(13,164,804)</b>	<b>213,164,804</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>63,136,967</b>	<b>(110,486,224)</b>
Cash and cash equivalents at 1 July 2023		25,199,566	135,685,790
<b>Cash and cash equivalents at 30<sup>th</sup> June 2024</b>	<b>4</b>	<b>88,336,533</b>	<b>25,199,566</b>

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**18 Statement Of Comparison Of Budget And Actual Amounts For The Period Ended June 30,2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs a	Kshs b	Kshs C=(a+b)	Kshs d	Kshs e=(c-d)	
Revenue						$f=d/c*100$
Interest Income	9,000,000	-	9,000,000	8,887,562	112,438	99%
Other Income	-	-	-	-	-	
<b>Total Income</b>	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>	<b>8,887,562</b>	<b>112,438</b>	<b>99%</b>
<b>Expenses</b>						
Fund Administration Expenses	9,000,000	-	9,000,000	8,887,562	112,438	99%
General Expenses	-	-	-	-	-	
Finance Cost	-	-	-	-	-	
<b>Total Expenditure</b>	<b>9,000,000</b>	<b>-</b>	<b>9,000,000</b>	<b>8,887,562</b>	<b>112,438</b>	<b>99%</b>
<b>Surplus For the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Budget notes**

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (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.

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19 Notes to the Financial Statements

**1. General Information**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**2. 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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

There were no new and amended standards issued in the financial year.

*(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

IPSAS 43 Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
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<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to 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.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared</p>

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	to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1<sup>st</sup> January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**(iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

#### 4. Summary of 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.

##### Dividends

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

##### Rental income

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

##### b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on **08/08/2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 166 of PFM Act 2012 of these financial statements.

**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.

**a) 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.

**b) Investment property**

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

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

**c) Financial instruments**

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

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

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

**Financial liabilities**

**Classification**

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

**d) 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.

**e) 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.

**f) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

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

**g) 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.

**h) 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.

**i) Nature and purpose of reserves**

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

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

**k) Foreign currency transactions**

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

**l) 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.

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

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

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

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

**Estimates and assumptions –**

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

**Useful lives and residual values**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- c) The nature of the processes in which the asset is deployed
- d) Availability of funding to replace the asset
- e) Changes in the market in relation to the asset

**Provisions**

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

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

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

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6. Notes To The Financial Statements Continued

1. Interest income

Description	2023-2024	2022-2023
	Kshs	Kshs
Interest income from loans (mortgage and car loans)	8,437,029	-
Interest from fixed deposit		-
Total interest income	8,437,029	-

2. Fund Administration Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Professional services costs	8,437,029	-
Total	8,437,029	-

3. Use of Goods and Services

Description	2023-2024	2022-2023
	Kshs	Kshs
Professional services costs	-	-
Total	-	-

4. Cash and cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Fixed deposits account	88,336,533	25,199,566
Current account		
Total cash and cash equivalents	88,336,533	25,199,566

The balance for the Financial Year ended 30 June 2024 has been restated from **Kshs.25, 199,566** to **Kshs. 88,336,533** by transferring the balance of **Kshs.64, 250,000** held in Kenya Depository Insurance Corporation (KDIC) from cash and cash equivalents to long term receivables from non-exchange transactions. This was because the balance of **Kshs.64, 250,000** did not satisfy the definition of cash and cash equivalents.

Notes to the Financial Statements Continued

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

Financial institution	Account number	2023-2024	2022-2023
		Kshs	Kshs
a) Fixed deposits account			
SBM Bank	02520960101001	88,336,533	25,199,566
<b>Sub- total</b>		<b>88,336,533</b>	<b>25,199,566</b>
b) Current account			
SBM Bank			-
<b>Sub- total</b>			
<b>Grand total</b>		<b>88,336,533</b>	<b>25,199,566</b>

5. Receivables from exchange transactions

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable		-
Current Loan Repayments Due	82,617,937	326,300,434
Other Exchange Debtors		
Less: Impairment Allowance		
<b>Total Current Receivables</b>	<b>82,617,937</b>	<b>326,300,434</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	167,380,726	-
<b>Total Non- Current Receivables</b>	<b>167,380,726</b>	<b>-</b>
<b>Total Receivables From Exchange Transactions</b>	<b>249,998,663</b>	<b>326,300,434</b>

Notes to the Financial Statements Continued

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6. Additional disclosure on interest receivable

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years		-
Accrued interest receivable from of long-term loans of previous years		-
Interest receivable from current portion of long-term loans issued in the current year		-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		-
Accrued principal from long-terms loans from previous periods		-
Current portion of long-term loans issued in the current year	-	-

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Notes to the Financial Statements (Continued)

7. Borrowings

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>		
External Borrowings During the Year		
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
<b>Balance At End of The Period</b>	-	-

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

Description	2023-2024	2022-2023
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling Loan From SBM	-	113,164,804
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
<b>Total Balance at End of The Year</b>	-	113,164,804

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

Description	2023-2024	2022-2023
	Kshs	Kshs
Short Term Borrowings (Current Portion)		
Long Term Borrowings		
<b>Total</b>		

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Notes To The Financial Statements (Continued)

8. Cash generated from operations

	2023-2024	2022-2023
	Kshs	Kshs
Surplus for the year	-	2,649,406
Net cash flow from operating activities	-	2,649,406

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 1<sup>st</sup> July 2023</b>				
Receivables from exchange transactions	326,300,434	326,300,434		
Receivables from non-exchange transactions (Long term Held in KDIC)	64,250,000	64,250,000		
Bank balances	25,199,566	25,199,566		
<b>Total</b>	<b>415,750,000</b>	<b>415,750,000</b>		

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At 30 <sup>th</sup> June. 2024				
Receivables from exchange transactions	249,998,663	249,998,663		
Receivables from non-exchange transactions(long term Held in KDIC)	64,250,000	64,250,000		
Bank balances	88,336,533	88,336,533		
<b>Total</b>	<b>402,585,196</b>	<b>402,585,196</b>		

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**Notes To The Financial Statements (Continued)**

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

The entity has significant concentration of credit risk on amounts due from outstanding loans.

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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 1<sup>st</sup> July (2022/2023)</b>				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	113,164,804	113,164,804
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	<b>113,164,804</b>	<b>113,164,804</b>
<b>At 30<sup>th</sup> June (2023/2024)</b>				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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Notes To the Financial Statements (Continued)

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.

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 Notes to the Financial Statements (Continued)

**d) Capital risk management.**

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

Description	2023-2024	2022-2023
	Kshs	Kshs
Revolving fund	402,585,196	415,750,000
Accumulated surplus	-	-
<b>Total funds</b>	<b>402,585,196</b>	<b>415,750,000</b>
Total borrowings	-	-
Less: cash and bank balances	88,336,533	25,199,566
Net debt/(excess cash and cash equivalents)	<b>88,336,533</b>	<b>25,199,566</b>
<b>Gearing</b>	<b>-</b>	<b>-</b>

**10. Events after the reporting period**

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

**11. Ultimate and Holding Entity**

The entity is a County Public Fund established by Kisii County Assembly Members' Loan and Mortgage Fund Act, 2014 County Governments Act, 2012 and the County Assembly Services Act, No. 24 of 2017 under the Ministry of xxx. Its ultimate parent is the County Government of Kisii.

**12. Currency**

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

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 20 Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timefram (Put a date when y the issue to be r
REPORT ON THE FINANCIAL STATEMENTS.				
1.	Unreconciled Variance in interest income amount.	Reconciliation of interest income has been done.	Not Resolved	
2.	Unsupported Cash and Cash Equivalent Balance.	A balance of Ksh. 64,250,000 held at the Kenya Depository Insurance Corporation has been posted under long-term receivables from cash and cash equivalents.	Not Resolved	
3.	Non- Recognition of Fund Administration Expenses	No reported expenses during the year.	Not Resolved	
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.				
1.	Irregular Bank Borrowing	The amount of Ksh. 113,164,804 advanced to members by SBM Bank (k) Ltd interest free, has been repaid by the members.	Resolved	
2.	Unconfirmed Signatories of	County Assembly Service Board minutes	Resolved	

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	fund Bank Accounts.	and names of Bank signatories are available.		
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1.	Lack of risk Management Policy.	Risk management policy in draft awaiting approval.	Not Resolved	December, 2024

*Guidance Notes:*

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

Fund Manager/Accounting Officer

(Mr. Jacob M. Onkeo)

Date... 10/12/2024