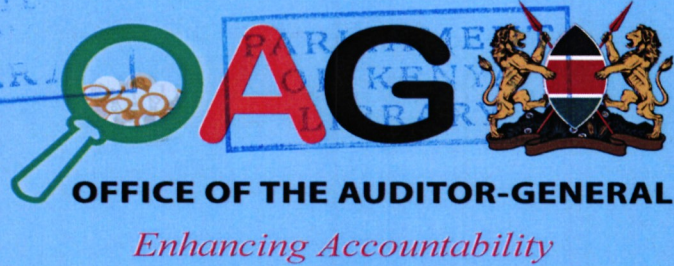


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**COMMISSION ON REVENUE ALLOCATION
STAFF MORTGAGE SCHEME FUND**

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

THE NATIONAL ASSEMBLY

DATE: 18 APR 2023 TUESDAY

TABLED BY:	Hon. Owen Baya, MP. Deputy Leader, Majority
CLERK AT THE TABLE:	Ann Dhibuko



COMMISSION ON REVENUE ALLOCATION

CRA'S STAFF MORTGAGE SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

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

I.	KEY SCHEMES' INFORMATION AND MANAGEMENT	iii
	Background information	iii
	Principal Activities	iii
	Key Management	iv
	Fiduciary Management	iv
	Headquarters	iv
	Commission Contacts	iv
	Fund Bankers	iv
	Independent Auditors	iv
	Principal Legal Adviser	iv
II.	KEY MANAGEMENT.....	v
III.	CEO'S REPORT (OFFICER ADMINISTERING THE FUND).....	vii
IV.	REPORT OF THE COMMISSION'S STAFF MORTGAGE SCHEME FUND	viii
V.	STATEMENT OF THE OFFICER ADMINISTERING FUND'S RESPONSIBILITIES	ix
VI.	CORPORATE GOVERNANCE STATEMENT.....	xi
VII.	MANAGEMENT DISCUSSION AND ANALYSIS	xii
VIII.	REPORT OF THE INDEPENDENT AUDITORS OF STAFF MORTGAGE SCHEME FUND	xiv
IX.	STATEMENT OF FINANCIAL PERFORMANCE	1
X.	STATEMENT OF FINANCIAL POSITION	2
XI.	STATEMENT OF CHANGES IN NET ASSETS.....	3
XII.	STATEMENT OF CASH FLOWS.....	4
XIII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022	5
XIV.	NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022.....	6
XV.	PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS	11

I. KEY SCHEMES' INFORMATION AND MANAGEMENT

Background information

The Commission's Mortgage Scheme Fund was established in FY 2016/17 through the SRC's regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128) with the objective of providing a loan scheme for the purpose of residential property for the staff. The loan acquisition entails both construction, purchase of residential homes and acquisition of land.

The fund was established with an initial capital outlay of **Kshs. 80,805,126/-** paid out from the Commission's reserves as seed capital for the fund. The Scheme's capital has since been enhanced to **Kshs. 155,202,032 /-** mainly from the annual budget allocations of the Commission.

The scheme's secretariat is drawn from Corporate Service Directorate while administration and management is conducted by KCB. Management is done in accordance with the laid down internal guidelines & regulations and MOU between KCB and the Commission.

Principal Activities.

The principal activity of the Fund is to facilitate acquisition of residential property for members of Commission on Revenue Allocation by providing a loan scheme for:

- i) Purchase and / or development,
- ii) Renovation or repairs of property and
- iii) Acquisition of land for future development.

Mission

To make reliable recommendations on equitable revenue sharing, revenue enhancement and prudent public financial Management.

Vision

No Kenyan Left Behind

Key Management

The Scheme Fund's day-to-day operations are managed under Corporate Services directorate.

Management who were in-charge are as follows;

- | | | |
|----|-------------------|---|
| 1. | CPA James Katule | Commission Secretary (Officer administering the Fund) |
| 2. | Angela Kariuki | Director Corporate Services |
| 3. | William Birech | Human Resource Manager |
| 4. | CPA Maureen Junge | Finance Manager |

Fiduciary Management

Members of management listed above served during the financial year ended 30 June, 2022 and who had direct fiduciary responsibility since KCB Bank is the scheme's administrator.

Headquarters

Commission on Revenue Allocation
14 Riverside Drive
Grosvenor suite 2nd and 3rd Floor
P.O Box 1310-00200 Nairobi
Tel: (020) 4298000

Commission Contacts

Telephone: (254) (020) 4298000
E-mail: info@crakenya.org
Website: www.crakenya.org

Fund Bankers

KCB Bank Limited
KICC Branch
Harambee Avenue
P. O. Box 46950-00100 Nairobi
Tel: (020) 29248501,
Fax: (020) 29248501,

Independent Auditors

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

Principal Legal Adviser

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

II. KEY MANAGEMENT



CPA James Katule
Commission Secretary / CEO

CPA James Katule is the Chief Executive Officer (CEO) of CRA. Prior to his appointment, James Katule was the Director Fiscal Affairs (2014-2022) and Director Corporate Services (2012-2014) at CRA.

His experience spans over 32 years, 17 of which have been at various levels of management in public organizations as well as international donor-funded research institutions. These include the International Centre for Insect Physiology and Ecology (ICIPE), The International Livestock Research Institute (ILRI), African Medical and Research Foundation (AMREF), The Capital Markets Authority (CMA) and currently CRA.

James Katule is an experienced Certified Public Accountant – CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Masters of Business Administration from the Eastern and Southern Africa Management Institute (ESAMI) and a Bachelor of Arts in Economics & Business Education from Kenyatta University. He is an alumnus of the Andrew Young School of School of Policy Studies, Georgia State University where he undertook a course on Fiscal Decentralization, Local Governance and Service Delivery.



Angela Kariuki
Director, Corporate Services

She holds a master's in international Commercial Law (LLM) from the University of Nottingham (UK) and a Bachelor of Laws (LLB) from the University of Sheffield (UK). She is an Advocate of the High Court of Kenya; member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mrs. Kariuki has been with the Commission from inception. She has broad professional experience in the areas of human capital management, facilities management, supply chain management, strategic planning and corporate governance, legal compliance with regards to securities law, corporate law, policy formulation and implementation.

She previously worked with the Capital Markets Authority for nine years and Kilonzo & Company Advocates for two years.



William Birech
Human Resource Manger

Mr William K Birech is Manager HR/Admin at the Commission on Revenue Allocation. He holds MBA from the University of Nairobi, a B. Com (HR) from the Catholic University of Eastern Africa, a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management from the IHRM College.

He has over fifteen years' experience in Human Resource Management having worked at the Postbank and the Rural Electrification Authority before joining the Commission on 5th January 2015.

He has written and published articles on HR matters in reputable HR journals in Kenya especially The Management and the IHRM journal.



CPA Maureen Junge
Finance Manager

Ms. Junge has extensive work experience in public finance with emphasis on budgeting, financial management, financial analysis, and reporting. She is both a Certified Public Secretary of Kenya (CPSK) and Certified Public Accountant (CPAK), and a member of ICPAK and Association of Women Accountants of Kenya (AWAK). She holds a Master's of Science degree and a Bachelors of Commerce degree (Finance) from the University of Nairobi.

As the inaugural manager in charge of finance, Ms. Junge was instrumental in developing finance policies and setting up the operational procedures in the finance department including aligning them to the public financial management and reporting systems.

She previously worked with Kenya Investment Authority, Africa Investment Bank (AIG) and Reliance General Limited.

III. CEO'S REPORT (OFFICER ADMINISTERING THE FUND)

The Commission on Revenue Allocation appointed key management drawn from Corporate Services Directorate whose objective is to coordinate and engage with the KCB Bank, scheme's administrators appointed to run the scheme on behalf of CRA.

The Commission in consultation with the Bank, developed internal rules and Memorandum of Understanding (MOU) which are binding on all matters relating to the Scheme. They set out rules and regulations that provide guidance on accessibility of the loans and the threshold to be met by the loan applicants.

CRA's Mortgage Scheme's key objective is to support employees in acquisition of mortgage facility with subsidised interest rate besides the scheme's other activities which are to facilitate purchase and/or improvement of residential property and acquisition of land for staff members of the Commission. During the reporting period, the scheme maintained an interest rate of 4% as cost of borrowing. The low cost of borrowing enhanced the number of loan applicants up to approximately 100% absorption rate of the fund. This benefit has played a role in motivation and retention of staff at the Commission. It has also enhanced loyalty and high commitment to the Commission

During the year under review, the Scheme's capital was enhanced to Kshs. 143.9 million (FY2020/21: Kshs. 129.5 million) and cumulative interest earning of Kshs.11.3 (FY2020/21: Kshs.9.5 million) both from the utilised and unutilised accounts.

The Scheme has since disbursed Kshs137.9 (FY2020/21: 140.9 million), Kshs. 8.8 million was paid up to clear an outstanding loan balance of a deceased staff member. A total of 23 (22 members of staff from different cadres have benefitted from the scheme. The Bank has continued to carry out due diligence for all the loan application to minimize risks in acquiring property.

We shall endeavour to support staff through continuous engagements with both the staff and the bank to ensure that more employees benefit from the scheme in the foreseeable future. There is also need to enhance funding of the scheme in order to reduce the waiting period for loan applicants.


CPA James Katule

COMMISSION SECRETARY/CEO

IV. REPORT OF THE COMMISSION'S STAFF MORTGAGE SCHEME FUND

The Commission Secretary (Officer administering the Commission's Mortgage Scheme Fund) submits his report and financial statements for the year ended 30 June, 2022 which shows the state of the Fund's affairs.

Principal Activities

The principal activity of the Commission's Mortgage Scheme is to provide housing loan facilities to the staff members.

Results

The results of the Mortgage scheme for the year ended 30 June, 2022 are set out on page 1-4.

Management

The key management who served during the year are shown on page (v-vi). The members are drawn from Corporate Services Directorate.

Auditors

The Auditor General is responsible for the statutory audit of the Commission's Staff Mortgage Scheme Fund in accordance with the Section 81(4a) of the Public Financial Management Act, 2012 and Section 35 of the Public Audit Act, 2015.

V. STATEMENT OF THE OFFICER ADMINISTERING FUND'S RESPONSIBILITIES

Section 24(3) of the Public Finance Management Act, 2012 requires the officer administering the Fund to prepare financial statements in respect of that Fund, which give a true and fair view of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Officer is also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. Further, that he is also responsible for safeguarding the assets of the Fund.

The Officer administering the Fund (Commission Secretary) is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year (period) ended on June 30, 2022. Further, his other responsibilities include: (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 Commission; (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 Officer administering the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Accrual basis of Accounting method under the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the Commission's Act. He is also of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. He further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Commission Secretary to indicate that the Scheme will not remain a going concern for at least the next 12 months from the date of this statement.


CPA James Katule

COMMISSION SECRETARY/CEO

Approval of the financial statements

The Commission's Staff Mortgage Scheme Fund financial statements were approved by the Commission on **29th August 2022** and signed on its behalf by the Commission secretary and Chairperson of the Commission.



CPA James Katule
COMMISSION SECRETARY



Dr. Jane Kiringai
CHAIRPERSON

VI. CORPORATE GOVERNANCE STATEMENT

The Staff Mortgage Scheme is guided by the Memorandum of understanding (MoU) between CRA and KCB Bank limited. The MoU is also anchored on the SRC regulations Ref No: SRC/ADM/CIR/1/13 Vol. III (128), the PFM Act, 2012 and CRA's Human resource policies and procedures manual.

The scheme is administered by KCB Bank limited with assistance from the Commission's secretariat drawn from corporate service directorate.

During the period under review, the scheme maintained an interest rate of 4% as cost of borrowing. Loan applications were dispensed on availability of funds and on a first come first serve basis.

The Commission received from KCB Bank limited and reviewed all the four quarterly returns on performance of the scheme. Additionally, the Commission prepared four quarterly reports and annual financial statements with regards to the scheme's performance and as per the requirement of PFM Act, 2012.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

During the year, the Fund was reinstated to Kshs.143.9 (FY2020/21: Kshs. 129.5 million) in capital and Kshs.11.3 (FY2020/21: Kshs. 9.5 million) as cumulative interest earned from utilised and unutilised accounts. The fund had 23 (FY2020/21:22) withdrawals amounting to Kshs.137.9 (FY2020/21: Kshs.140.9 million). The Fund had pending requests in the reporting year of Kshs. 36.3 million but achieved an absorption rate of approximately 94% (FY2020/21: 100%).

Funds' compliance with statutory requirements

The Fund's Terms of Reference and Regulations were anchored on the SRC's guidelines on Mortgage Scheme. Further, in the implementation of the same, the Commission ensured compliance with HR Policies and Procedures manual 2015 e.g. regarding requirements of 1/3 Rule principle and also section 12B of Income Tax on provision on fringe benefit tax.

Key activities the Fund is undertaking

The main reason for setting up the Fund was mainly to provide financial support for staff members in acquisition of mortgage facility at a subsidised interest rate relating to:

1. Home development loans
2. Acquisition or Purchase of residential homes
3. Purchase of land for Home construction

Major risks facing the Fund

Liquidity Risk

The Commission has always strived to hedge against liquidity risk and always ensuring that financial obligations are met whenever they fall due. This risk has since been managed over the previous years by ensuring sufficient budgetary allocations are appropriated to the fund. However, there are certain times when the Commission experiences budgetary constraints which also directly affect the budgetary allocation to the fund.

Material arrears in statutory/financial obligation

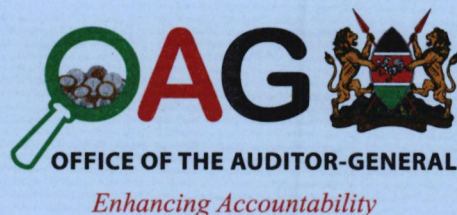
The Fund has a minimal outstanding liability of Kshs. 60,703 caused by budgetary constraints on fringe benefit tax which will be settled by the sponsor in FY 2022/23.

The Fund's financial probity and governance issues

The Fund runs its operation through KCB bank the administrators and in constant consultation with the key management who act on behalf of the Commission.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COMMISSION ON REVENUE ALLOCATION STAFF MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Commission on Revenue Allocation Staff Mortgage Scheme Fund set out on pages 1 to 11, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial

Report of the Auditor-General on Commission on Revenue Allocation Staff Mortgage Scheme Fund for the year ended 30 June, 2022

performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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, the financial statements present fairly, in all material respects, the financial position of the Commission on Revenue Allocation Staff Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

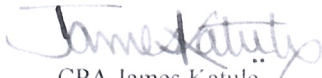
03 January, 2023

IX. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2022

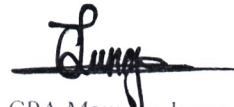
	Note	2021 -2022 Kshs	2020 -2021 Kshs
REVENUE			
Interest earned	5	1,753,434	1,490,171
Total revenue		1,753,434	1,490,171
EXPENDITURE			
General Expenses	6	32,521	1,065
Total expenses		32,521	1,065
Surplus for the period		1,720,913	1,489,106

The notes set out on pages 6 to 11 form an integral part of the Financial Statements



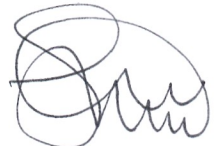
CPA James Katule
Commission Secretary/CEO

Date: 29/08/22



CPA Maureen Junge
Finance Manager/ ICPAK No. 9883

Date: 29/08/22



Dr. Jane Kiringai
Chairperson

Date: 29/08/22

X. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
Current assets			
Cash and cash equivalents	7	35,687,212	19,615,369
Short term receivables	8	8,530,789	-
		44,218,001	19,615,369
Non-current assets			
Long term receivables	9	110,984,030	119,456,728
		110,984,030	119,456,728
Total assets		155,202,031	139,072,097
LIABILITIES			
Current liabilities			
Insurance refund	10	32,521	-
Non-current liabilities			
		32,521	-
Total liabilities		-	-
NET ASSETS		155,169,510	139,072,097
FINANCED BY:			
Accumulated capital	11	143,923,446	129,546,946
Accumulated surplus		11,246,064	9,525,151
Total net assets and liabilities		155,169,510	139,072,097

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Commission by:


CPA James Katule
Commission Secretary/CEO

Date: 29/08/22


CPA Maureen Junge
Finance Manager/ ICPAK No. 9883

Date: 29/08/22


Dr. Jane Kiringai
Chairperson

Date: 29/08/22

XI. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2022

Particulars	Notes	Mortgage Fund	Accumulated Surplus	Total
		Kshs	Kshs	Kshs
As at July 1, 2020		117,403,126	8,036,045	117,403,126
Surplus for the year			1,489,106	1,489,106
Funds received during the year		12,143,820		12,143,820
As at June 30, 2021		129,546,946	9,525,151	139,072,097
As at July 1, 2021		129,546,946	9,525,151	139,072,097
Surplus for the year			1,720,913	1,720,913
Funds received during the year		14,376,500		14,376,500
As at June 30, 2022		143,923,446	11,246,064	155,169,510

XII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Surplus/Deficit for the year before tax		1,720,913	1,489,106
Adjusted for:			
Depreciation and Amortisation		-	-
(Non-cash grants received)		-	-
(Contributed assets)		-	-
Impairment		-	-
(Gains and losses on disposal of assets)		-	-
Contribution to provisions		-	-
Contribution to impairment allowance		-	-
(Finance income)		-	-
Finance cost		-	-
Working capital adjustments:			
(Increase in inventory)		-	-
(Increase)/Decrease in undisbursed Loans	7		18,684,302
(Increase)/Decrease in receivables	8 & 9	(58,091)	(16,066,961)
Increase in deferred income		-	-
Increase/(Decrease) in payables	10	32,521	-
Increase in payments received in advance		-	-
Net cash flows from operating activities		1,695,343	4,106,447
Cash flows from investing activities			
(Increase)/Decrease in accounts receivable		-	-
Decrease in accounts payable		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Additional Capital	11	14,376,500	12,143,820
Net cash flows used in financing activities		14,376,500	12,143,820
Net increase/(decrease) in cash and cash equivalents		16,071,843	16,250,267
Cash and cash equivalents at 1 July 2021		19,615,369	3,365,102
Cash and cash equivalents at 30 June 2022	7	35,687,212	19,615,369


CPA James Katule
Commission Secretary/CEO

Date: 29/08/22


CPA Maureen Junge
Finance Manager/ ICPAK No. 9883

Date: 29/08/22


Dr. Jane Kiringai
Chairperson

Date: 29/08/22

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

Particulars	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Absorption
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government grants and subsidies	14,376,500	-	14,376,500	14,376,500	-	100%
Other Income						
Total income	14,376,500	-	14,376,500	14,376,500	-	100%
Expenditure						
Operation and Maintenance	14,376,500	-	14,376,500	14,376,500	-	100%
Total Expenditure (O&M)	14,376,500	-	14,376,500	14,376,500	-	100%

XIV. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. General Information

The Commission on Revenue Allocation (CRA) was established under Article 215 of the Constitution of Kenya. The Commission's principle responsibility is to provide an objective and independent framework for equitable sharing of nationally raised revenues. The Commission also plays a key role in ensuring that the county governments adhere to prudent financial management principles, enhance revenues for both national and county government. Further, the Commission plays a critical role in addressing regional disparities by proposing recommendations aimed at accelerating balanced development in the country, especially marginalized areas.

2. Statement of Compliance basis of preparation – IPSAS 1

The Financial Statements have been prepared in accordance to and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Accrual Basis Financial Reporting under the Accrual basis of Accounting and relevant legal framework of Kenya. The financial statement complies with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya (PSASB).

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund.

The accounting policies adopted will be applied consistently over the years. The financial statements have been prepared on the accrual basis following the Government's standard chart of accounts. The accrual basis of accounting recognizes transactions and events whenever they are incurred.

3. Summary of Accounting policies

(i) Non-Current Assets

The fund does not maintain any non-current assets

(ii) Recognition of Revenue and expenses

Income is recognized in the period in which it's earned. Income is not accrued if its recoverability is doubtful. The Revenue constitutes all incomes accruing to the Fund in the form of interest earned both on the Utilized fund (1%) and Unutilized fund (10% (CBR). All interest is recouped back to the revolving account on a quarterly basis.

(iii) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise Cash book balance as at 30th June 2022.

(iv) Fund Account

The fund is enhanced gradually on an annual basis through annual appropriations from the Commission's Budget. Further, all accrued interest is recouped back to the fund. The Fund was mainly established to enable members of staff members acquire loans for purchase of residential homes, acquisition of land and construction of residential homes. The facility is extended to applicants at an interest rate of 4% being 1% to the revolving fund and 3% to the administering bank.

XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(v) Fringe Benefit Tax

Fringe Benefit Tax was introduced by the new provisions under section 12B of the Income Tax Act. It is payable by the Commission in respect of loans provided to staff at an interest rate lower than the market rate. The taxable value of Fringe Benefit tax is determined as;

- (a) (Market Int rate for the month – Interest charged to employees) x Loan amount
- (b) Fringe benefit Tax payable by the Commission = (a) x 30%

The prescribed rates of interest are published by the Commissioner of Tax on a quarterly basis. In the reporting year the interests were published as 7%, 7%, 7% and 7% for Q1, Q2, Q3 and Q4 respectively

(vi) Related parties – IPSAS 20

The scheme regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the scheme or vice versa. The Commission is regarded as related party and comprise the Commissioners, Commission Secretary and members of staff

(vii) Public Sector Combinations – IPSAS 40

The standard which has been applicable since January 2019 covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. This standard is however not relevant to the CRA staff Mortgage scheme.

(viii) Financial Instruments – IPSAS 41 (*The standard is not relevant to the CRA staff Mortgage scheme*)

This standard is applicable from 1st January 2022. Its objective is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

4. Mortgage Scheme's Beneficiaries

The movement of the scheme's beneficiaries during the year is as below;

No.	Cadre	2021/22	2020/21	REMARKS
1	CEO	1	-	Took loan while still a Director
2	Directors	2	3	
3	Deputy Directors	1	1	The Deputy Director has since exited the Commission but an active loan applicant
4(A)	Managers	7	8	One manager's loan fully cleared by the Insurance
4(B)	Assistant Managers	2	2	
5	Officers	5	5	
6	Assistant Officers	1	-	
7	Logistic Staff	3	2	
8	Support Staff	1	1	
		23	22	

XIII. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2021-2022	2020-2021
	Kshs	Kshs
5. Income		
Interest -Utilized Fund (1%)	971,508	920,153
Interest -Unutilized Fund (10% of CBR)	781,926	570,019
	1,753,434	1,490,171
6. General Expenses		
Bank Charges	-	1,065
Insurance Refund – Joyce Miriti’s A/c	32,521	-
	32,521	1,065
7. Cash and cash equivalents		
Fixed deposit	35,687,212	19,615,369
8. Short term receivables (Current Receivables)		
Outstanding Loans advanced as at 30th June 2022	8,530,789	-
	8,530,789	-
9. Long term receivables (Non- Current Receivables)		
Outstanding Loans advanced as at 30th June 2022	110,984,030	119,456,728
	110,984,030	119,456,728
10. Creditor’s		
Insurance Refund - Joyce Miriti’s A/c	32,521	-
	32,521	-
<p>This liability arose after KCB Bank credited the entire Insurance refund money of Kshs. 8,817,925 payable in respect to the outstanding loan balance of Kshs. 8,785,404 for the late Joyce Miriti and the part of the accumulated insurance premiums paid by her for the house of Kshs. 32,521</p>		
11. Fund Account		
Capital Fund	129,546,946	117,403,126
Additional Capital	14,376,500	12,143,820
	143,923,446	129,546,946

12. Financial Risk Management

The scheme will endeavor to regularly review its risk management policies once in place to reflect changes in markets and emerging best practices. Risk management will be carried out by the Commission under the direct supervision of the Commission secretary.

(i) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the staff car loan scheme. It arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows; (a) Cash and short-term deposits are placed with well-established financial institutions of high credit standing, (b) The CRA Mortgage scheme does not raise debtors in its ordinary course of business apart from those arising from related parties or members of staff which can easily be recovered.

Credit risk with respect to accounts receivable is limited due to the nature of the mortgage scheme business and its reliance on government grant and CRA as the main source of funding.

The amount that best describes the mortgage scheme's exposure to credit at the end of the financial year is made up of;

- a) Cash and bank balances
- b) Outstanding loan balances
- c) Undisbursed loans

(ii) Liquidity Risk

Liquidity risk is the risk that the CRA mortgage scheme will not be able to meet its financial obligations when they fall due. The scheme manages this risk by always ensuring that it has sufficient liquidity to meet its liabilities when due, under both normal and constrained conditions, without incurring unexpected losses.

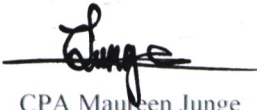
The scheme ensures availability of sufficient cash on demand to meet expected operational expenses including servicing of financial obligations.

XV. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS


Reference No. on external audit report	Issue / Observation from Auditor	Management Comments	Focal point person to resolve the issue	Status:	Time frame:
N/A	Unqualified Opinion	N/A	N/A	N/A	N/A


CPA James Katule
Commission Secretary/CEO

Date: 29/08/22


CPA Maureen Junge
Finance Manager/ ICPAK No. 9883

Date: 29/08/22


Dr. Jane Kiringai
Chairperson

Date: 29/08/22