

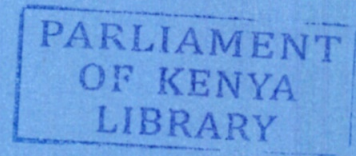
REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**KITUI COUNTY ASSEMBLY SERVICE  
BOARD EMPLOYEES' CAR AND  
MORTGAGE FUND SCHEMES**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.

30 NOV 2023

*Revised 30<sup>th</sup> June 2023*

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**KITUI COUNTY ASSEMBLY**

**KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR & MORTGAGE  
FUND SCHEMES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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



**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management -The key management personnel who had financial responsibility

## **2. Key Entity Information and Management**

### **a) Background information**

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28<sup>th</sup> January, 2015. The fund's authority and accountability is derived from the Public Finance Management (PFM) Act 2012. The fund is wholly owned by the County Government of Kitui, domiciled in Kenya.

The main objective of the fund is to provide members of staff with affordable loans to purchase either a motor vehicle or buy, develop, renovate or repair a residential property. Therefore, principal activity of the fund is to give car loans and mortgages to members of staff.

The scheme was established pursuant to the Salaries and Remuneration Commission's (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) of 14<sup>th</sup> February 2014 and in line with the PFM regulations, 2015. The above circular provided the basic guidelines on how the scheme was to be implemented for seamless accessed by the officers.

The County Assembly Service Board formulated and approved regulations to govern the scheme's operationalization on 17<sup>th</sup> March 2015. These regulations offered both guidance and a legal premise during the implementation of the scheme. In addition, the board approved the administration of the scheme to be managed internally by the Clerk of Assembly in line with the regulations.

### **b) Principal Activities**

The principal activity of the fund is to provide members of staff with an opportunity to access affordable car loans and mortgages.

#### **Vision**

"The fund of choice for members of staff of County Assembly of Kitui."

#### **Mission**

"To provide affordable, accessible and sustainable car loans and mortgages to members of staff of County Assembly of Kitui."

#### **Core Values**

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

### **c) Fund Administration Committee**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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Ref	Name	Position
1	Hon. Hussein Mwandia	Board member- Chairperson of the Fund Committee
2	Lucy N. Waema	Deputy Clerk of the Assembly – Vice Chair
3	Augustus M. Kyenze	Principal Finance Officer – Member
4	Gladys K. Mwendwa	Senior Legal Counsel – member
5	Cyrus K. Kiema	Procedural Clerk – Member
6	Mary M. Mulima	Senior Administrative Officer – Member
7	Harrison O. Ouma	Senior Administrative Officer – Member
8	Elijah M. Mutambuki	Fund Administrator (ex-officio)

**d) Key Management**

Ref	Name	Position
1	Mr. Elijah M. Mutambuki	Clerk of the Assembly /Fund Administrator
2	Mrs. Lucy N. Waema	Deputy Clerk of the Assembly
3	Mr. Augustus M. Kyenze	Principal Finance Officer
4	Mr. Mutua Mwendwa	Fund Accountant
5	Mr. Erastus Ndeleva	Principal Human Resource Officer
6	Mr. Lawrence M. Kirigwi	Senior Sergeant-At-Arms
7	Mr. Kevin M. Ndeto	Senior ICT Officer
8	Mr. Teddy Matuku	Senior Hansard Officer
9	Mr. Cyrus K. Kiema	Senior Clerk Assistant
10	Mr. Harrison O. Ouma	Senior Administration Officer

**e) Registered Offices**

P.O. Box 694 – 90200, Kitui  
County Assembly of Kitui Chambers,  
Mutomo - Kibwezi Road,  
Kitui, KENYA

**f) Fund Contacts**

Telephone: 044-22914  
E-mail: kituiassembly@gmail.com

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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Website: [www.kituiassembly.go.ke](http://www.kituiassembly.go.ke)

**g) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
  
2. Kenya Commercial Bank  
P.O. Box 683-90200  
Kitui, Kenya

**h) Independent Auditors**






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

**i) Principal Legal Adviser**




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

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**3. Fund Administration Committee**






Name	Details of qualifications and experience
<p>1. Hon. Hussein Mwandia</p> 	<p>He is elected member of County Assembly on NARC party ticket. He is a member of the County Assembly Service Board. He is the chairperson of the loans management committee representing the board.</p>
<p>2. Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board</p> <p>He holds a Master of HRM from Ballarat University, Australia. He is the secretary to the loans management committee.</p>
<p>3. Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Deputy Clerk of Assembly. She is the vice-chairperson of the loans management committee.</p>
<p>4. Augustus M. Kyenze</p> 	<p>Born in 1980. He has Masters in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer</p>
<p>5. Gladys K. Mwendwa</p> 	<p>She was born in 1983 and holds of Bachelor of Law LLB from University of Nairobi and a Diploma in law from Kenya School of Law. She has commendable exposure in matters of law. Currently she is the head of legal department.</p>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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<p>6. Cyrus K. Kiema</p> 	<p>Born in 1973. Holder of Bachelor of Education. Currently pursuing master's in Public Management at South Eastern University. Experienced in school management and Assembly procedures. He is the head of Legislative Practice &amp; Procedure department</p>
<p>7. Mary M. Mulima</p> 	<p>She was born in 1976 and is holder of Business Administration (Human Resource Management). She has wealth of experience in human resource management and development having worked in different institutions including Mombasa Water and Sanitation company. Currently she deputizes the head of Human Resource.</p>
<p>8. Harrison O. Ouma</p> 	<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently he heads the Administration Department</p>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**4. Management Team**

Name and Passport Photo	Details of qualifications, experience, date of birth, work experience and responsibility
<p>Elijah M. Mutambuki</p> 	<p>He was born in 1964 and has a wealth of experience in Human Resource management, policy making and an accomplished administrator having held several positions in government. He is the Clerk of Assembly /Secretary to the County Assembly Service Board He holds a Master of HRM from Ballarat University, Australia. He is the Fund Administrator.</p>
<p>Lucy N. Waema</p> 	<p>She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Deputy Clerk of Assembly</p>
<p>Augustus M. Kyenze</p> 	<p>Born in 1980. He has Masters in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer</p>
<p>Erastus Ndeleva</p> 	<p>Born in 1971. He is a practitioner in Human Resource management and has Masters in Business Administration from Kenyatta University and Higher National Diploma in Human Resource from Institute of Human Resource Management. He is currently the Principal Human Resource Management Officer.</p>
<p>Lawrence M. Kirigwi</p> 	<p>Born in 1973. Holds Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms and security department</p>
<p>Kevin M. Ndeto</p>	<p>He was born in 1988. Holds Bachelor of Science in Computers. Brings along wealth of experience in computer management. Currently he is the head of ICT Department.</p>

**Kitui County Assembly Service Board Employees' Car Loan-& Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

		
<p>Teddy Matuku</p> 		<p>Born in 1970 and holds Bachelor of Arts (Government and Philosophy) from University of Nairobi. He has 17 years of experience in journalism and Hansard reporting having worked in various positions in government in reporting docket. He is now Head of Hansard Department.</p>
<p>Harrison O. Ouma</p> 		<p>He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently, he heads the Administration Department</p>
<p>Cyrus K. Kiema</p> 		<p>Born in 1973. Holder of Bachelor of Education. Experienced in school management and Assembly procedures. Head of Legislative Practice &amp; Procedure</p>
<p>Mutua Mwendwa</p> 		<p>Born in 1983. He has a degree in Business Administration-Accounting from Maseno University, CPA (K), and is a Certified Fraud Forensic Examiner (CFFE). He is experienced in public finance management having served in senior positions in finance. He is currently the Fund Accountant.</p>

## **Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2023**

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### **5. Fund Chairperson's Report**

It is my pleasure to present the Kitui County Assembly Service Board Employees' Car & Mortgage Fund financial statements for the year ended 30<sup>th</sup> June 2023 on behalf of the management committee.

#### **Board and Management Change**

There were changes in the board of management team with Hon. Hussein Mwandia replacing Dr. Jane M. Mutua as the chairperson of the loans management committee whose contract lapsed in 2022.

#### **Review of performance**

The fund performance is commendable since revenue earned from interest increased to Kshs. 5,606,446.72 being an increase of 10.62% from the previous year. The increment in revenue can be attributed to significant efforts employed to inspire staff apply for the loans. The expenditure incurred during the year was Kshs. 341,950.00 consisting of; committee sitting allowances of Kshs. 336,430.00 and bank charges Kshs.5,520.00

The committee has so far processed and approved eighteen (18) car loans and Forty (40) mortgage applications for disbursement amounting to Kshs. 31,225,810.00 and Kshs. 214,131,413.00 respectively. All the approved car loans were fully disbursed to members upon receipt of the required documents. However, the approved mortgages were partially paid to beneficiaries to the tune of Kshs. 199,944,355.00 The un-disbursed mortgage of Kshs. 14,186,056.00 awaits submission of project completion certificates by the beneficiaries.

#### **Future outlook**

The prospect of the fund appears optimistic and reassuring as the Assembly continues to empower its staff. We endeavour to focus massively on improving the scheme in order to motivate the workforce for efficient and effective service delivery. The committee believes that the County Treasury shall continue supporting the fund financially to facilitate the realization of her objective.

#### **Challenges Faced**

Despite the positive impact of the fund, we encountered numerous challenges during the year. These ranged from; lack of required lien to secure the loans, over-committed payslips, and delayed disbursements from the National Treasury. These challenges offered the committee a learning experience on how to enhance the fund's uptake in the future.

#### **Conclusion**

The committee is committed to supporting the County Assembly Service Board in fulfilling the requirements of Section 12 (7) of the County Governments Act 2012 while realizing the spirit of the Salaries and Remuneration Commission of attracting, motivating, and retaining qualified workforce. I sincerely appreciate the Clerk of the Assembly and his management team for their continued support. I urge them to remain focused on the right priorities as we continue to strengthen the County Assembly.

  
**HON. HUSSEIN MWANDIA**  
**FUND CHAIRPERSON**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**6. Report of The Fund Administrator**

It is my pleasure to present the Kitui County Assembly Service Board Employees' Car & Mortgage Fund for the year ended 30<sup>th</sup> June, 2023. The financial statements present the performance of the fund over the past year.

This fund was established on 28<sup>th</sup> January 2015 through enactment of guiding regulations as advised by the SRC.

**a) Financial Performance**

**(i) Budget Performance**

The fund did not receive any additional allocation from the county treasury during the year under review.

**(ii) Capital Fund**

Kitui County Treasury has since disbursed Kshs. 196,207,234.00 as revolving fund to the schemes.

**(iii) Revenue**

In the year under review, the fund earned gross interest of Kshs. 5,606,447.00 being an increase of 10.62% from the previous year. The gross revenue earned by the fund since inception amount to Kshs. 26,236,639.00 and incurred expenditure of Kshs. 1,236,247.00 Therefore, the net profit generated by the fund is Kshs. 25,000,392.00

**(iv) Loans**

In the year under review, the Assembly disbursed monies to Eight (8) mortgage applicants amounting to Kshs. 17,213,800.00. Cumulatively, fifty-eight (58) members of staff have benefited from both car loans and mortgage schemes since inception with actual disbursements standing at Kshs. 231,170,165.00

The principal loans recovered from both car loans and mortgages amount to Kshs. 70,484,029.00 The outstanding loans as at 30<sup>th</sup> June, 2023 amounted to Kshs. 160,686,136.00. The management closely monitors loan repayments to make sure that no loan falls outstanding after the retirement of any beneficiary.

**(v) Cash flow**

The loan management committee employed timely planning and proper loan recovery strategy during the year. Loan recoveries were done by the county payroll through the Integrated Personnel and Payroll (IPPD) system. This minimized the chances of default and other risks therein. The total principal loan repaid since the inception of the scheme amounts to Kshs. 70,484,029.00 for both car loans and mortgages. The committee maintains a positive cash flow since any consideration of loan application is always subject to the availability of cash. The current bank balance is Kshs. 60,061,486.00 which is sufficient to cover some new loan applications.

**REPORT OF THE FUND ADMINISTRATOR (CONTINUED)**

There committee experienced a few financial disruptions following delays in receiving disbursements from the National Treasury. Cash flow challenges were mitigated by employing reliable recovery measures of the loans through the payroll.

**(vi) Future Outlook**

The scheme is indeed a success and a motivation to the Assembly. Its future looks guaranteed and generally acceptable by all the staff. The main focus now is to strengthen the fund with a motivated workforce in order to enhance efficiency and effectiveness in service delivery. We look forward to continued financial support from the County Treasury and development partners as we realize our mandate.

**b) Program Performance**

The fund targeted only the members of staff whose responsibilities fall under administration and support services program. The intention was to facilitate all staff with affordable car loans and mortgage facilities. In this year, eight (8) members of staff benefited from mortgages.

**c) Value for money achievements**

The Committee employed a raft of measures in order to guarantee suitable application of the monies. These included; creating a sub-committee to inspect projects before disbursement of funds to any beneficiary. This ensured that all mortgages and car loans disbursed were fully secured and valuation reports provided. These measures curbed misuse of the fund and ensured the ultimate attainment of value for money.

**d) Implementation challenges**

There were a number of challenges faced while implementing the scheme. These ranged from; lack of required lien for the loans, over committed payslips of the officers, delay in disbursements and long period taken to perfect the securities due to bureaucratic procedures involved. Consequently, the committee employed a raft of measures to counter the challenges by forming a sub-committee to speed up the inspection of projects and holding frequent meetings.

The entity has a bright future since there is enough budget to cover all staff. The Assembly's strategy in achieving its agenda is to work closely with the staff to assist them in handling possible challenges hindering them from accessing the loans. The strategy includes conducting training on personal budget and financial discipline for all members of staff.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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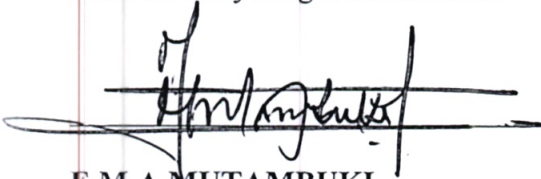
**e) Risk management strategies**

The highest risk attributed to the fund is the default of repayment by beneficiaries. However, the management employed a suitable recovery strategy whereby the loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll (IPPD) system. This indeed abated the chances of loan default.

**f) Conclusion**

The year presented a number of momentous challenges to the institution leading to low uptake of the loans. These were financial challenges and lack of lien from the staff to secure the loans. These challenges acted as a learning ground for the management therefore revitalising efforts to achieve the objective of the fund. I believe that more staff will apply for these low interest loans in future.

We shall remain committed as a team to serve the public better every day, in this challenging and indeterminate environment. The focus shall be on the future goals including improving the welfare of our staff. I am confident we shall propel our county to greatness while serving the public at the heart of everything we undertake.



**E.M.A MUTAMBUKI  
CLERK OF ASSEMBLY**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**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 objectives of the Kitui County Assembly Service Board Employees' Car & Mortgage Fund in financial year 2022-2023 plan are to:

- a) Facilitate the members of staff with affordable loans to acquire decent residential houses.
- b) Facilitate the members of staff with affordable loans to acquire motor vehicles.

**Progress on the attainment of Strategic development objectives**

Below is the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Provision of car loan facilities to all members of staff</b>	To facilitate the members of staff with affordable loans to acquire motor vehicles.	Number mortgages successfully applied	0.00% of members of staff have benefited from the car loan scheme	In FY 22/23 - None of the members of staff received car loans.
<b>Provision of Mortgage facilities to all members of staff</b>	To facilitate the members of staff with affordable loans to acquire decent residential houses	Number mortgages successfully applied	9.4% of the members of staff have benefited from the mortgage scheme	In FY 22/23, - eight (8) members of staff received mortgages.

**Implementation Challenges**

Though the scheme has had a positive impact to the welfare of the staff, the committee has faced numerous challenges during the implementation. These includes;

- a) **Overcommitted pay-slips** by some civil servants who had already acquired loans from other commercial banks hence hindering them from applying for the car loans or mortgage.
- b) **Title Deeds used as security registered in the name of the applicant's parents**  
This posed a serious legal challenge in the future if consent to charge was not acquired from the other beneficiaries of the said Title Deed.
- c) **Lack of Title Deeds** - This has hindered some members of staff from applying for mortgages since they lack the necessary lien for the loan.

## **8. Corporate Governance Statement**

### **The Fund's Committee**

The scheme 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 Loans Management Committee at its apex. The Committee provides direction with a focus on consistent operation of the fund in an atmosphere of transparency and accountability

Section 6 (1) of the fund regulations established a loans management committee known as the Car and Mortgage Loan Management Committee. It is the only body mandated to oversee the implementation of the said schemes. Its membership consists of: -

- a) One Board member to represent the Board - the chairperson of the committee.
- b) The Deputy Clerk of the Assembly- the Vice-chairperson of the committee.
- c) The Principal Finance Officer
- d) The Senior Legal Counsel
- e) The person in charge of the legislative and procedural Department
- f) The Head of the Human Resource Department
- g) One Senior Administrative Officer
- h) The Fund Administrator (ex-officio)

The process of appointment and removal of the trustees is spelt out by the governing regulations.

### **The Committee Meetings**

The meetings of the Committee were convened by the chairperson or in the absence of the chairperson; the vice-chair person or a member designated by the chairperson at such times as may be necessary for the discharge of the its functions. The members were given appropriate and timely information on key activities of the committee. Specifically, they were provided with all the available information in respect of items to be discussed at a meeting prior to availing themselves. The committee met 5 times to execute her mandate during the year. A number of loan applications were considered and approved during the year. Members' attendance was commendable since most of the time the meeting was a full house.

### **Functions of the Committee**

Section 6 (6) of these regulations provides the loan management committee with the mandate to consider and approve loan applications presented by the fund administrator. The committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The County Assembly Service Board of Kitui passed the regulations in 9<sup>th</sup> September 2015 to guide the implementation of the SRC recommendation on state officers and civil servants' car loans and mortgages. These regulations are namely; 1) Regulations for the operationalization of

### **STATEMENT OF CORPORATE GOVERNANCE (Continued)**

the Kitui County Assembly Service Board Employees' Car Loan Funds Scheme and 2) Regulations for the operationalization of the Kitui County Assembly Service Board Employees' Mortgage Funds Scheme. The responsibilities have been spelt out well by the regulations governing the funds management. In addition, the succession plan is well guided by the said regulations since the membership of the board of trustee has been laid well under Section 6 (1)

#### **Committee Allowances**

Members of the loan management committee earned sitting allowance as per Ministry of Devolution and Planning Circular Ref. No. MSPS.2/1AVOL.XLVIII/ (119) dated 2<sup>nd</sup> August 2013. These allowances were paid only upon holding a successful meeting.

#### **Statement of Compliance**

The committee confirms that the fund complied with statutory and regulatory requirements throughout the year. It was managed in accordance with the principles of good corporate governance.

#### **Ethics and Conduct**

The members of the committee exercised highest standards of honesty and integrity as per chapter six of the Kenya Constitution 2010 and in accordance with the principle of good governance. They ensured ethical behaviour and complied with relevant laws, regulations, audit, accounting principles, corporate policies, procedures and code of ethics while performing their duties.

#### **Conflict of Interest**

The committee is under fiduciary duty to act with honesty in the best interest of the fund. Any business transacted was at arm's length and fully disclosed. Members promoted diversity across the organisation with regards to age, gender, ethnic and the cultural background amongst committee members and employees. In dispensing their duties, members could not discriminate any loan applicant based on the above aspects.

#### **Internal Control Framework**

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Processes and controls are interrogated frequently. We occasionally carry out a risk-based audit, which provides assurance over key processes, operational and financial risks facing the fund.

The internal audit considered significant control matters raised by management and both the internal and external auditors and reported its findings to the board. Where weaknesses were identified, the committee ensured that management took appropriate action. No significant downfalls or weaknesses were identified during the year.

#### **Succession plan**

The fund has a well spelt succession plan as elaborated by the governing regulations.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**Service charter**

The fund does not have any service charter.

**Induction and training**

The fund did not carry any training during the year.

**Auditor**

The fund is audited by the Auditor-General.

## **9. Management Discussion and Analysis**

### **Operational Performance**

This report is particularly important since a number of staff in the assembly have so far acquired new cars and others residential houses from the inception of the fund. This in deed have improved their morale tremendously. The fund had disbursed total of Kshs.31,225,810.00 as car loans and Kshs.199,944,355.00 as mortgage by 30<sup>th</sup> June, 2023. Cumulatively, loans disbursed to members of staff amount to Kshs.231,170,165.00 This trend is encouraging and reassures a bright future performance for the scheme. The committee expects more loan applications in the coming years if the current status is anything to go by.

As of June 2023, the total principal loans recovered from the members of staff amount to Kshs. 70,484,029.00 with the loan balance standing at Kshs.160,686,136.00. The scheme has earned a total net interest of Kshs.25,000,392.00 since inception growing the fund balance to Kshs. 221,207,626.00 from the Kshs.196,207,234.00 received from the County Treasury.

The fund is currently administered internally under the supervision of the Clerk of the Assembly.

### **Compliance with Statutory Requirements**

The committee acknowledges its statutory responsibility of paying fringe benefit taxes on these loans. The rate of interest charged of 3% is less than the prescribed rate by the Kenya Revenue Authority Commissioner, a fringe benefit tax is payable by the employer. The County Assembly has been paying these taxes on a timely basis as required by the Income Tax Act. Sufficient budget allocation has been approved to cater for the same.

Additionally, the fund has secured a life protection policy for members of staff against death or permanent disability. This is in compliance with the requirement of the regulations that all loans disbursed be insured and secured with a perfected Title Deed or a joint registered logbook.

### **Implementation Challenges**

Though the schemes have had a positive impact on the welfare of the staff, the committee has faced numerous challenges during its implementation. These include;

#### **a) Lack of Title Deeds**

The committee agrees to the fact that some areas are yet to be adjudicated for issuance of Title Deeds. This hinders some members of staff from applying for mortgage loans since they lack the necessary security.

#### **b) Delays in Disbursements of Funds**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

There were delays in receiving disbursement of funds from the National Treasury hence affecting the payment of approved loans to respective members of staff.

**c) Title Deeds used as security registered in the name of applicant's parents**

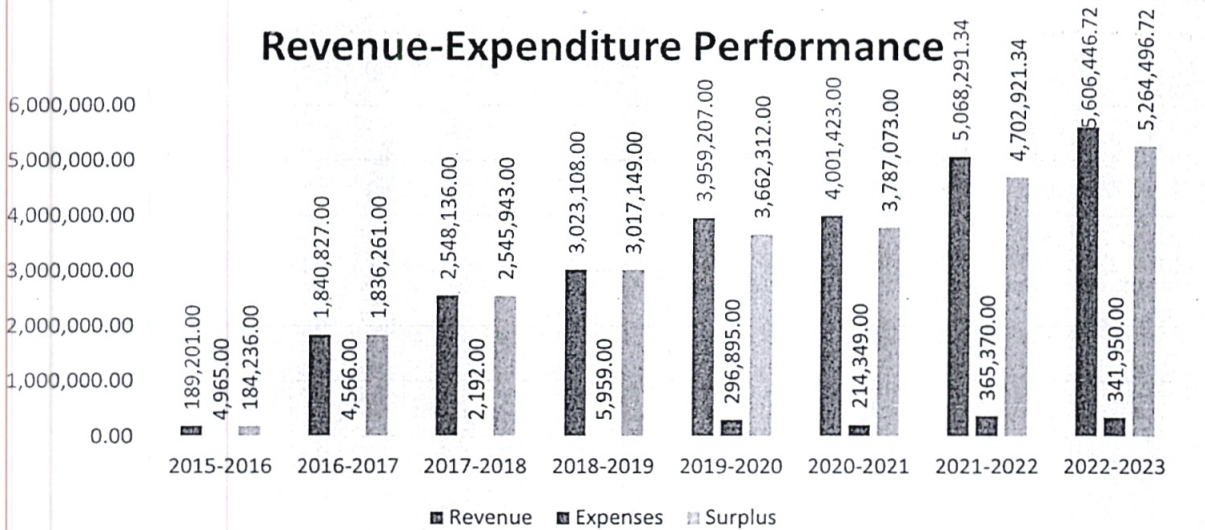
The regulations direct that, all loans disbursed must be fully secured either with Title Deed or log-books registered under applicants' name or a third party. Some third-party Title Deeds presented as security for the mortgage loans were in the names of the applicant's parent. This pose a serious legal challenge in future if consent to charge is not acquired from the other beneficiaries of the said Title Deed.

**Financial Performance**

The committee reviewed most aspects of the financial reporting framework and made changes to ensure we remain in line with both the latest regulatory requirements and best practices.

The funds' revenue grew tremendously due to an increase in loans uptake. The performance for the last five (5) years is as shown below;

Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Revenue	3,023,108.00	3,959,207.00	4,001,423.00	5,068,291.00	5,606,447.00
Expenses	5,959.00	296,895.00	214,349.00	365,370.00	341,950.00
Surplus	3,017,149.00	3,662,312.00	3,787,073.00	4,702,921.00	5,264,497.00



**Risks facing the Fund**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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The highest risk attributed to the fund is default by members. However, the management employed proper loan recovery strategy during the year. The loans were strictly recovered by the county payroll through the Integrated Personnel and Payroll (IPPD) system hence minimizing the chances of default. The fund has complied with all statutory obligations including paying of fringe benefit taxes and submission of reports hence there are no outstanding obligations whatsoever.

**Key Project**

The sole objective of the fund is to provide members of staff with affordable loans to acquire cars or residential houses. This shall offer facilitation during their official work with the County Assembly. This agenda has been fully met since most of the staff have benefited from either the car loan, mortgage or both.

**10. Environmental and Sustainability Reporting**

The fund did not carry out any CSR activity during the year

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**11. Report of The Trustees**

The committee do hereby submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund are to provide car loans and mortgages to members of staff of the County Assembly.

**Results**

The performance of the Fund for the year ended June 30, 2023, are set out on pages 1 to 3.


**Trustees**

The members who served during the year are shown on pages vii to viii. There were changes in the Board of Management during the financial year. Hon. Hussein Mwandia replaced Dr. Jane M. Mutua as the chairperson of the loans management committee whose contract lapsed in 2022.

**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. Hussein Mwandia**

**Chair of the Fund Administration Committee**

**Date: 29<sup>TH</sup> NOVEMBER 2023**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**12. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

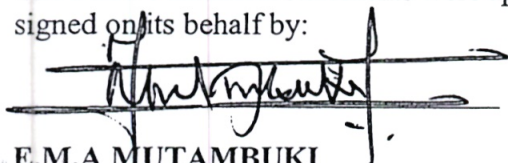
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the year ended on June 30, 2023. This responsibility includes: (i) maintaining 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 by Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the year ended June, 2023, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 29<sup>TH</sup> NOVEMBER 2023 and signed on its behalf by:

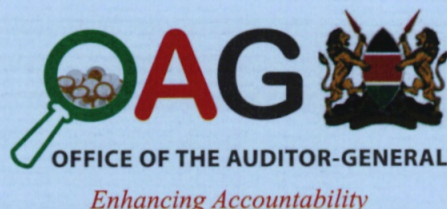


**E.M.A MUTAMBUKI**

**FUND ADMINISTRATOR**

# 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 KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR AND MORTGAGE FUND SCHEMES FOR THE YEAR ENDED 30 JUNE, 2023**

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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.
- 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.

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes set out on pages 1 to 42, which

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*Report of the Auditor-General on Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes for the year ended 30 June, 2023*

comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes as at 30 June, 2023 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 Kitui County Assembly Service (Board Employees; Car and Mortgage Fund Schemes) Regulations, 2015 the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Doubtful Receivables**

Note 13 to the financial statements reflects total receivables from exchange transaction balance of Kshs.161,146,140. Review of mortgage files revealed that one beneficiary applied for a loan of Kshs.5,016,843 for renovation /repair and mortgage buy-off and was approved in January 2019. Information provided supported by minutes from loan committee indicates that the said officer's employment was terminated in March 2022, and he has since defaulted on instalments payments from November 2021. Accumulated arrears stood at Kshs.4,928,932 as at 30 June, 2022 but the Management has not demonstrated any measures being taken to recover the loan arrears. However, no adjustments have been made by way of provisions for doubtful debts receivable.

In the circumstances, the recoverability of the doubtful loan amount of Kshs.4,928,932 as at 30 June, 2023.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes 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. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board reporting template.

## **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, 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 the International Standards for Supreme Audit Institutions (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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 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 Financial Reporting

Standards/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 overall 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 the 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**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

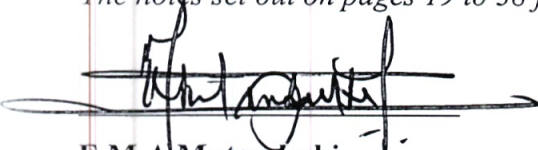
04 January, 2024


**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	FY2022/2023	FY2021/2022
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	0.00	0.00
Fines, penalties and other levies	3	0.00	0.00
<b>Revenue from exchange transactions</b>			
Interest income	4	5,606,447.00	5,068,291.00
Other income	5	0.00	0.00
		<b>5,606,447.00</b>	<b>5,068,291.00</b>
<b>Total revenue</b>		<b>5,606,447.00</b>	<b>5,068,291.00</b>
<b>Expenses</b>			
Employee Costs	6		
Use of goods and services	7	341,950.00	365,370.00
Depreciation and Amortization Expenses	8	0.00	0.00
Finance costs	9	0.00	0.00
<b>Total expenses</b>		<b>341,950.00</b>	<b>365,370.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	0.00	0.00
Gain /Loss on fair value of investments	11	0.00	0.00
<b>Surplus/(deficit) for the period</b>		<b>5,264,497.00</b>	<b>4,702,921.00</b>

*The notes set out on pages 19 to 38 form an integral part of these Financial Statements*

  
E.M.A Mutambuki  
Administrator of the Fund

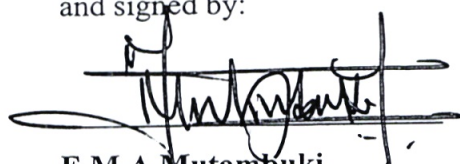
  
Mutua Mwendwa  
Fund Accountant  
ICPAK Member Number: 26038


**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**15. Statement of Financial Position As at 30 June 2023**

Description	Note	FY2022-2023	FY2021-2022
		KShs	KShs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	60,061,486.00	53,253,403.00
Current Portion of Long- Term Receivables from Exchange Transactions	13	15,350,034.00	15,216,345.00
Prepayments	14	0.00	0.00
Inventories	15	0.00	0.00
Investments in financial assets	16	0.00	0.00
<b>Total current assets</b>		<b>75,411,520.00</b>	<b>68,469,748.00</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	0.00	0.00
Intangible Assets	18	0.00	0.00
Long Term Receivables from Exchange Transactions	13	145,796,106.00	140,152,882.00
Investment Property	19	0.00	0.00
<b>Total non- current assets</b>		<b>145,796,106.00</b>	<b>140,152,882.00</b>
<b>Total Assets</b>		<b>221,207,626.00</b>	<b>208,622,630.00</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	0.00	0.00
Current Portion of Borrowings	22	0.00	0.00
Employee Benefit Obligations	23	0.00	0.00
Social benefit liabilities	2	0.00	0.00
<b>Total current liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings	22	0.00	0.00
Non-Current Employee Benefit Obligation	23	0.00	0.00
Social benefit liabilities	24	0.00	0.00
<b>Total Liabilities</b>		<b>0.00</b>	<b>0.00</b>
<b>Net Assets</b>		<b>221,207,626.00</b>	<b>208,622,630.00</b>
Revolving Fund		196,207,234.00	188,886,734.00
Reserves		0.00	0.00
Accumulated Surplus		25,000,392.00	19,735,896.00
<b>Total Net Assets and Liabilities</b>		<b>221,207,626.00</b>	<b>208,622,630.00</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29<sup>th</sup> November 2023 and signed by:

  
E.M.A Mutambuki  
Administrator of the Fund

  
Mutua Mwendwa  
Fund Accountant  
ICPAK Member Number: 26038

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**16. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2021	146,367,478.00	0.00	15,032,974.00	161,400,452.00
Surplus/(deficit) for the period	0.00	0.00	4,702,921.00	4,702,921.00
Funds received during the year	42,519,256.00	0.00	0.00	42,519,256.00
Revaluation gain	0.00	0.00	0.00	0.00
<b>Balance as at 30 June 2022</b>	<b>188,886,734.00</b>	<b>0.00</b>	<b>19,735,896.00</b>	<b>208,622,630.00</b>
Balance as at 1 July 2022	188,886,734.00	0.00	19,735,896.00	208,622,630.00
Surplus/(deficit) for the period	0.00	0.00	5,264,497.00	5,264,497.00
Funds received during the year	7,320,500.00	0.00	0.00	7,320,500.00
Revaluation gain	0.00	0.00	0.00	0.00
<b>Balance as at 30 June 2023</b>	<b>196,207,234.00</b>	<b>0.00</b>	<b>25,000,392.00</b>	<b>221,207,626.00</b>

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	FY2022/2023	FY2021/2022
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		0.00	0.00
Transfers from the County Government		0.00	0.00
Interest received		5,606,447.00	5,068,291.00
Receipts from other operating activities		0.00	0.00
<b>Total Receipts</b>		<b>5,606,447.00</b>	<b>5,068,291.00</b>
<b>Payments</b>			
Employee Costs		0.00	0.00
Use of goods and services		341,950.00	365,370.00
Depreciation and Amortization Expense		0.00	0.00
Finance costs		0.00	0.00
<b>Total Payments</b>		<b>341,950.00</b>	<b>365,370.00</b>
<b>Net cash flows from operating activities</b>	25	<b>(512,417.00)</b>	<b>(12,531,432.00)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0.00	0.00
Proceeds from sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
<b>Net cash flows used in investing activities</b>		<b>0.00</b>	<b>0.00</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		7,320,500.00	42,519,256.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
<b>Net cash flows used in financing activities</b>		<b>7,320,500.00</b>	<b>42,519,256.00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,808,083.00</b>	<b>29,987,824.00</b>
Cash and cash equivalents at 1 JULY 2022	12	53,253,403.00	23,265,579.00
<b>Cash and cash equivalents at 30 JUNE 2023</b>	12	<b>60,061,486.00</b>	<b>53,253,403.00</b>

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison Budget and Actual Amounts for The Period

Kitui County Assembly Service Board Employees' Car & Mortgage Fund						
Budget for the Financial Year 2022-2023						
	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% utilization
	2023	2023	2023	2023	2023	2023
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Public contributions and donations	0.00	0.00	0.00	0.00	0.00	0%
Transfers from County Govt.	0.00	0.00	0.00	0.00	0.00	0%
Interest income	6,000,000.00	0.00	6,000,000.00	5,606,447.00	393,553.00	93%
Other income	0.00	0.00	0.00	0.00	0.00	0%
<b>Total income</b>	<b>6,000,000.00</b>	<b>0.00</b>	<b>6,000,000.00</b>	<b>5,606,447.00</b>	<b>393,553.00</b>	<b>93%</b>
<b>Expenses</b>						
Loan Processing Costs	0.00	0.00	0.00	0.00	0.00	0%
Fund administration expenses	5,492,000.00	0.00	5,492,000.00	336,430.00	5,155,570.00	6%
General expenses	500,000.00	0.00	500,000.00	0.00	500,000.00	0%
Depreciation and Amortization Expenses	0.00	0.00	0.00	0.00	0.00	0%
Finance cost	8,000.00	0.00	8,000.00	5,520.00	2,480.00	69%
<b>Total expenditure</b>	<b>6,000,000.00</b>	<b>0.00</b>	<b>6,000,000.00</b>	<b>341,950.00</b>	<b>5,658,050.00</b>	<b>6%</b>
<b>Surplus for the period</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,264,497.00</b>	<b>(5,264,497.00)</b>	

**Budget Notes**

- a) The Fund administration was under-utilized since there were not many sittings for the committee as anticipated.
- b) The general expenses were underutilized since there were no general transactions during the year under review.

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**19. Notes to the Financial Statements**

**1. General Information**

Kitui County Assembly Service Board Employees' Car & Mortgage Fund was established by Kitui County Assembly Service Board and derives its authority and accountability from the Public Finance Management (PFM) Act 2012. The entity is wholly owned by the County Government of Kitui and is domiciled in Kenya. The entity's principal activity is to provide members of staff with an opportunity to access affordable car loans and mortgages

**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 an 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 2023*

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

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Standard	Effective date and impact
	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in the 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.</li> </ul> <p><i>There was no impact of the amendment to IPSAS 41 with respect to the current financial report.</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows.</li> </ul> <p><i>There was no impact of the amendment to IPSAS 42 with respect to the current financial report.</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

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Standard	Effective date and impact
41, Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples of hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>There was no impact of the amendment to Other IPSAS resulting from IPSAS 41, Financial Instruments with respect to the current financial report</i></p>
Other improvements to IPSAS	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard is no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>There was no impact of the improvements to IPSAS with respect to the current financial report</i></p>

*(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>

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Standard	Effective date and impact:
	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and, cash flows of an Entity.</p> <p>The new standard requires entities to recognize, measure, and present information on right of use assets and lease liabilities.</p> <p><i>There was no impact of the amendment to IPSAS 43 with respect to the current financial report.</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations are to be presented separately in the statement of financial performance.</p> <p><i>There was no impact of the amendment to IPSAS 44 with respect to the current financial report.</i></p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in the the year 2022/23.

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**1. Significant Accounting Policies**

**a) Revenue recognition**

**i. Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii. Revenue from exchange transactions**

**Interest income**

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

**b) Budget information**

There was no original budget for FY 2022-2023 that was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations on the FY 2022-2023 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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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 5 of these financial statements.

**d) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**e) 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. *The find did not have investments in property during the year under review.* 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.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**Summary of Significant Accounting Policies (Continued)**

**f) 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 Kitui County Assembly Service Board Employees' Car and Mortgage financial statements.* 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 amortized 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 an 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.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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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 the 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 a 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 in *Note 18*.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**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.

**g) 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 a lower 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.

**h) 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.

**i) 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 needs of society as a whole. The entity recognizes a social benefit as an expense for the social benefits scheme at the same time that it recognizes 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.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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*Summary of Significant Accounting Policies (Continued)*

**j) 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.

**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.

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. The Fund does not maintain reserves.

**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.

**l) 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 a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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

**m) 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.

**n) 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 the construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) 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.

**p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at the 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**q) Comparative figures**

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

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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*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.

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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.

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

*The fund did not make provisions during the year under review.*

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**6. Notes to The Financial Statements**

**1. Public contributions and donations**

Description	FY2022-23	FY2021-23
	Kshs	Kshs
Donations from Development Partners	0.00	0.00
Contributions From the Public	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**2. Transfers from County Government**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Transfers From County Govt. –Operations	0.00	0.00
Payments By the County on Behalf Of The Entity	0.00	0.00
Unconditional Development grants	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**3. Fines, penalties and other levies**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Late Payment Penalties	0.00	0.00
Fines	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**4. Interest income**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Interest Income from Mortgage Loans	5,535,015.00	4,911,310.00
Interest Income from Car Loans	71,432.00	156,981.00
Interest Income from Investments in financial assets	0.00	0.00
Interest Income on Bank Deposits	0.00	0.00
<b>Total Interest Income</b>	<b>5,606,447.00</b>	<b>5,068,291.00</b>

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These revenues came from the loan advances to members of staff the County Assembly during the said financial years.

**Notes to the Financial Statements Continued**

**5. Other income**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Insurance Recoveries	0.00	0.00
Income from Sale of Tender Documents	0.00	0.00
Bad debts recovered	0.00	0.00
Miscellaneous Income	0.00	0.00
<b>Total Other Income</b>	<b>0.00</b>	<b>0.00</b>

**6. Employee Costs**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Salaries And Wages	0.00	0.00
Staff Gratuity	0.00	0.00
Staff Training Expenses	0.00	0.00
Social Security Contribution	0.00	0.00
Other ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**7. Use of Goods and Services**

Description	FY2022-23	FY2021-22
	Kshs.	Kshs.
General Office Expenses	0.00	0.00
Loan Processing Costs	0.00	0.00
Professional Services Costs	0.00	0.00
Administration Fees	336,430.00	361,350.00
Committee Allowances	0.00	0.00
Bank Charges	5,520.00	4,020.00
Electricity And Water Expenses	0.00	0.00

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Description	FY2022-23	FY2021-22
	Kshs.	Kshs.
Fuel And Oil Costs	0.00	0.00
Insurance Costs	0.00	0.00
Postage And Courier	0.00	0.00
Printing And Stationery	0.00	0.00
Rental Costs	0.00	0.00
Security Costs	0.00	0.00
Telephone And Communication Expenses	0.00	0.00
Bank Charges	0.00	0.00
Audit Fees	0.00	0.00
Provision For Doubtful Debts	0.00	0.00
Other ( <i>Specify</i> )	0.00	0.00
Social benefit expenses*	0.00	0.00
<b>Total</b>	<b>341,950.00</b>	<b>365,370.00</b>

*Social benefit schemes include benefits such as cash transfers for the unemployment or the elderly in line with IPSAS 42*

**8. Depreciation and Amortization Expense**

Description	FY2022-23	FY2021-22
	Kshs.	Kshs.
Property Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**9. Finance costs**

Description	FY2022-23	FY2021-22
	Kshs.	Kshs.
Interest On Bank Overdrafts	0.00	0.00
Interest On Loans from Banks	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**10. Gain/(loss) on disposal of assets**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Property, Plant and Equipment	0.00	0.00
Intangible Assets	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**11. Gain/ (loss) on Fair Value Investments**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Investments at Fair Value- Equity investments	0.00	0.00
Fair value – Investment property	0.00	0.00
Fair value- other financial assets (specify)	0.00	0.00
<b>Total Gain</b>	<b>0.00</b>	<b>0.00</b>

**12. Cash and cash equivalents**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Kitui County Car Loan Account	0.00	0.00
Kitui County Mortgage Account	60,061,486.00	53,253,403.00
Fixed Deposits Account	0.00	0.00
On – Call Deposits	0.00	0.00
Current Account	0.00	0.00
Others ( <i>Specify</i> )	0.00	0.00
<b>Total Cash and Cash Equivalents</b>	<b>60,061,486.00</b>	<b>53,253,403.00</b>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**Notes to the Financial Statements Continued**

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

Financial Institution	Account number	FY2022-23	FY2021-22
		Kshs	Kshs
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank, Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>On - Call Deposits</b>			
<b>b) Kenya Commercial Bank</b>			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>Current Account</b>			
<b>c) Kenya Commercial Bank</b>			
Kenya Commercial Bank	1177864789	59,088,620.00	52,278,155.00
Kenya Commercial Bank	1171610688	972,866.00	975,248.00
<b>Sub- Total</b>		<b>60,061,486.00</b>	<b>53,253,403.00</b>
<b>d) Others (Specify)</b>			
		0.00	0.00
<b>e) Cash In Transit</b>			
		0.00	0.00
<b>Cash In Hand</b>			
		0.00	0.00
<b>Sub- Total</b>		<b>0.00</b>	<b>0.00</b>
<b>Grand Total</b>		<b>60,061,486.00</b>	<b>53,253,403.00</b>

**13. Receivables from exchange transactions**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	460,004.00	469,727.00
Current Loan Repayments Due	14,890,030.00	14,746,618.00
Other Exchange Debtors	0.00	0.00
Less: Impairment Allowance	0.00	0.00
<b>Total Current Receivables</b>	<b>15,350,034.00</b>	<b>15,216,345.00</b>
<b>Non-Current Receivables</b>		
Long-Term Loan Repayments Due	145,796,106.00	140,152,882.00
<b>Total Non- Current Receivables</b>	<b>145,796,106.00</b>	<b>140,152,882.00</b>
<b>Total Receivables from Exchange Transactions</b>	<b>161,146,140.00</b>	<b>155,369,227.00</b>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

**14. Prepayments**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Prepaid Rent	0.00	0.00
Prepaid Insurance	0.00	0.00
Prepaid Electricity Costs	0.00	0.00
Other Prepayments ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**15. Inventories**

Description	FY2022-23	FY2021-22
	Kshs	Kshs
Consumable Stores	0.00	0.00
Spare Parts And Meters	0.00	0.00
Catering	0.00	0.00

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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Other Inventories (Specify)	0.00	0.00
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	<b>0.00</b>	<b>0.00</b>

**Notes to the Financial Statements Continued**

**16. Investments in financial assets**

Description	FY2022-23	FY 2021-22
	Kshs	Kshs
<b>a. Investment in Treasury bills and bonds</b>		
Financial institution		
CBK	0.00	0.00
CBK	0.00	0.00
Sub- total	<b>0.00</b>	<b>0.00</b>
<b>b. Investment with Financial Institutions/ Banks</b>		
Bank x	0.00	0.00
Bank y	0.00	0.00
Sub- total	<b>0.00</b>	<b>0.00</b>
<b>c. Equity investments (specify)</b>		
Equity/ shares in Entity xxx	0.00	0.00
Sub- total	0.00	0.00
<b>Grand total</b>	<b>0.00</b>	<b>0.00</b>

**Movement of Equity Investments**

Impairment allowance/ provision	FY2022-23	FY 2021-22
	Kshs	Kshs
At the beginning of the year	0.00	0.00
Purchase of investments in the year	0.00	0.00
Sale of investments during the year	0.00	0.00
Gain/(loss) in fair value of investments through surplus or deficit	0.00	0.00
<b>At the end of the year</b>	<b>0.00</b>	<b>0.00</b>

**e) Shareholding in other entities**

*For investments in equity shares listed above, list down the equity investments under the following categories:*

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Kshs	Current year	Prior year
Entity A	0.00	0.00	0.00	0.00	0.00	0.00

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Entity B	0.00	0.00	0.00	0.00	0.00	0.00
Entity C	0.00	0.00	0.00	0.00	0.00	0.00
	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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

**17. Property, plant and equipment**

	<b>Land and Buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 1<sup>st</sup> July 2021</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 1<sup>st</sup> July 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustments	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2023</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Depreciation And Impairment</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
At 1 <sup>st</sup> July 2021	0.00	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 1<sup>st</sup> July 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustment	0.00	0.00	0.00	0.00	0.00
<b>At 30<sup>th</sup> June 2023</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Book Values</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30<sup>th</sup> June 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30<sup>th</sup> June 2023</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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

**18. Intangible assets**

Description	<i>FY2022-23</i>	<i>FY 2021-22</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>		
<b>At Beginning of The Year</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00
<b>At End of The Year</b>	<b>0.00</b>	<b>0.00</b>
<b>Amortization And Impairment</b>	<b>0.00</b>	<b>0.00</b>
<b>At Beginning of The Year</b>	<b>0.00</b>	<b>0.00</b>
Amortization	0.00	0.00
<b>At End of The Year</b>	<b>0.00</b>	<b>0.00</b>
Impairment Loss	0.00	0.00
<b>At End of The Year</b>	<b>0.00</b>	<b>0.00</b>
<b>NBV</b>	<b>0.00</b>	<b>0.00</b>

**19. Investment Property**

Description	<i>FY2022-23</i>	<i>FY 2021-22</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>At beginning of the year</b>	<b>0.00</b>	<b>0.00</b>
Additions	0.00	0.00
Disposal during the year	0.00	0.00
Depreciation	0.00	0.00
Impairment	0.00	0.00
Gain/(loss) in fair value (if fair value is elected)	0.00	0.00
<b>At end of the year</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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

**20. Trade and other payables from exchange transactions**

Description	FY2022-23		FY 2021-22	
	Kshs		Kshs	
Trade Payables	0.00		0.00	
Refundable Deposits	0.00		0.00	
Accrued Expenses	0.00		0.00	
Other Payables	0.00		0.00	
<b>Total Trade and Other Payables</b>	<b>0.00</b>		<b>0.00</b>	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0.00	0.00%	0.00	0.00%
1-2 years	0.00	0.00%	0.00	0.00%
2-3 years	0.00	0.00%	0.00	0.00%
Over 3 years	0.00	0.00%	0.00	0.00%
<b>Total (tie to above total)</b>	<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>

**21. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning of The Year	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision Utilised	0.00	0.00	0.00	0.00
Change Due to Discount and Time Value For Money	0.00	0.00	0.00	0.00
Transfers From Non-Current Provisions	0.00	0.00	0.00	0.00
<b>Balance At the End of The Year</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To the Financial Statements (Continued)

22. Borrowings

Description	<i>FY2022-23</i>	<i>FY 2021-22</i>
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	<b>0.00</b>	<b>0.00</b>
External Borrowings During the Year	0.00	0.00
Domestic Borrowings During the Year	0.00	0.00
Repayments Of External Borrowings During the Period	0.00	0.00
Repayments Of Domestic Borrowings During the Period	0.00	0.00
<b>Balance At End of The Period</b>	<b>0.00</b>	<b>0.00</b>

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

Description	<i>FY2022-23</i>	<i>FY 2021-22</i>
	Kshs	Kshs
<b>External Borrowings</b>	<b>0.00</b>	<b>0.00</b>
Dollar Denominated Loan From 'X Organization'	0.00	0.00
Sterling Pound Denominated Loan From 'Y Organization'	0.00	0.00
Euro Denominated Loan from Z Organization'	0.00	0.00
<b>Domestic Borrowings</b>	<b>0.00</b>	<b>0.00</b>
Kenya Shilling Loan From KCB	0.00	0.00
Kenya Shilling Loan from Barclays Bank	0.00	0.00
Kenya Shilling Loan from Consolidated Bank	0.00	0.00
Borrowings From Other Government Institutions	0.00	0.00
<b>Total Balance at End of The Year</b>	<b>0.00</b>	<b>0.00</b>

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

Description	<i>FY2022-23</i>	<i>FY 2021-22</i>
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0.00	0.00
Long Term Borrowings	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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

**23. Employee benefit obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	FY2022-23	FY 2021-22
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
Non-Current Benefit Obligation	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**24. Social Benefit Liabilities**

Description	FY2022-23	FY 2021-22
	Kshs	Kshs
Health Social Benefit scheme	0.00	0.00
Unemployment Social Benefit Scheme	0.00	0.00
Orphaned and vulnerable benefit scheme	0.00	0.00
Elderly Social Benefit Scheme	0.00	0.00
Bursary social benefits	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>
	0.00	0.00
Current social benefits	0.00	0.00
Non-current social benefits	0.00	0.00
<b>Total (tie to totals above)</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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

**25. Cash generated from operations**

Description	FY2022/2023	FY2021/2022
	KShs	KShs
<b>Surplus for the year before tax</b>	<b>5,264,497.00</b>	<b>4,702,921.00</b>
<b>Adjusted for:</b>		
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ losses on disposal of assets	0.00	0.00
Interest income	0.00	0.00
Finance cost	0.00	0.00
<b>Working Capital adjustments</b>		
Increase in inventory	0.00	0.00
Increase in receivables	(5,776,914.00)	(17,234,353.00)
Increase in payables	0.00	0.00
<b>Net cash flow from operating activities</b>	<b>(512,417.00)</b>	<b>(12,531,432.00)</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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**Notes To the Financial Statements (Continued)**

**26. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Transfers From Related Parties	0.00	0.00
Transfers To Related Parties	0.00	0.00

**c) Key management remuneration**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Board Of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**d) Due from related parties**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due From Parent Ministry	0.00	0.00
Due From County Government	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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**Other Disclosures Continued**

**e) Due to related parties**

Description	FY2022/2023	FY2021/2022
	Kshs	Kshs
Due To Parent Ministry	0.00	0.00
Due To County Government	0.00	0.00
Due To Key Management Personnel	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**27. Contingent assets and contingent liabilities**

Contingent Liabilities	FY2022/2023	FY2021/2022
	Kshs	Kshs
Court Case Against the Fund	0.00	0.00
Bank Guarantees	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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**Notes To the Financial Statements (Continued)**

**28. 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 the unpredictability of changes in the business environment and seeks to minimize 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 assessments 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 into account the value of any collateral obtained is made up as follows:

<b>Description</b>	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2023</b>				
Receivables from exchange transactions	161,146,140.00	161,146,140.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00		
Bank balances	60,061,486.00	60,061,486.00	0.00	0.00
<b>Total</b>	<b>221,207,626.00</b>	<b>221,207,626.00</b>	<b>0.00</b>	<b>0.00</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	155,369,226.00	155,369,226.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00		
Bank balances	53,253,403.00	53,253,403.00	0.00	0.00
<b>Total</b>	<b>208,622,629.00</b>	<b>208,622,629.00</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**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 exchange transactions.

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>As At 30 June 2023</b>				
Trade Payables	0.00	0.00	0.00	0.00
Current Portion of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>As At 30 June 2022</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Trade Payables	0.00	0.00	0.00	0.00
Current Portion of Borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee Benefit Obligation	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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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 rates, 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 optimizing 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 the Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

**i. Foreign currency risk**

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>			
Financial Assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ Receivables	0.00	0.00	0.00
<b>Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Trade And Other Payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
<b>Net Foreign Currency Asset/(Liability)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
<b>FY2022-23</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
<b>FY 2021-22</b>			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 50,683.00(2023: Kshs 56,065.00). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 263,225.00 (2021 – Kshs 235,146.00).

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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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 the following funds:

Descriptions	2022/2023	2021/2022
	KShs	KShs
Revaluation reserve	0.00	0.00
Revolving fund	196,207,234.00	188,886,734.00
Accumulated surplus	25,000,392.00	19,735,895.00
<b>Total funds</b>	<b>221,207,626.00</b>	<b>208,622,629.00</b>
Total borrowings	0.00	0.00
Less: cash and bank balances	(60,061,486.00)	(53,253,403.00)
Net debt/ (excess cash and cash equivalents)	161,146,140.00	155,369,226.00
<b>Gearing</b>	<b>73%</b>	<b>74%</b>

**29. Events after the reporting period**

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

**30. Ultimate and Holding Entity**

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28<sup>th</sup> January 2015. The fund's authority and accountability are derived from the Public Finance Management (PFM) Act 2012. The fund is owned by the County Government of Kitui, domiciled in Kenya.

**31. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from the Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: Expected Date for the issue to be resolved)</b>
1.0	<p><i>Failure to prepare separate Financial Statements for Car &amp; Mortgage Scheme Funds</i></p> <p>The auditors' observation that the Administrator of the Funds prepared and submitted for audit a combined financial statement for both schemes (Staff Car Loan Scheme and Staff Mortgage scheme) for audit. This contravened Sections 15(1)(d) and 18(1)(d) of the regulations.</p>	<p>The County Assembly concurs with the auditors' observation that the Administrator of the Funds submitted combined financial statements for both schemes (Staff Car Loan Scheme and Staff Mortgage scheme) for audit.</p> <p>The management wishes to clarify that both schemes are managed by the same Administrator who is the Clerk of the Assembly and all the approvals are deliberated and given by the same committee (Staff Car and Mortgage Loans Management Committee). In addition, monies for both funds are kept in the same Bank Account approved by the County Assembly Service Board.</p>	Not Resolved	This has to be a board agenda since it is one mandated by law to authorize opening of any new Bank Account for the Assembly

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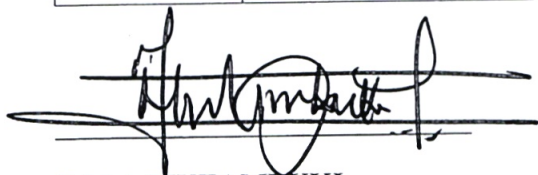
Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
2.0	<p><b>Discriminatory regulations</b></p> <p>The Auditors observed that the regulation discriminated against Junior staff that they were not specifically allocated amounts applicable to their category/grade and that the regulations were in contravention of SRC regulation that provided a scheme scale for the lower job groups.</p>	<p>The management concurs with the observation that the Regulations created by the County Assembly to operationalize the Car Loan and Mortgage benefits are discriminatory in that they do not take care of staffers within Job group A-J as the same only confer the said benefits to officer's job groups K-U. We submit that this was an inadvertent mistake at the time of formulating the Regulations which we shall now move with speed to remedy by recommending to the Board the appropriate amendments to the Regulations to align them with the referenced SRC Circular. As an institution, we endeavour to</p>	Not Resolved	30 <sup>th</sup> June 2024

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
		work within the law and we appreciate your guidance in achieving this goal.		
3.0	<p><b><i>Doubtful Receivable</i></b></p> <p>The auditor observed that the financial statement included Kshs. 4,197,342.87 being a doubtful receivable from an officer who was terminated from employment in March, 2022 and had accumulated to Kshs. 4,197,342.87 as at 30 June,2022.</p> <p>In the circumstances, the management has not demonstrated measures taken to deal with the defaulter and the recoverability of the said loan is doubtful.</p>	<p>The affected officer was suspended from employment in November 2021 due to disciplinary issues. The County Assembly Service Board found the officer culpable of the malpractices and hence terminated his employment in March 2022.</p> <p>The management being aware of the mortgage advanced to the officer, issued a showcase letter vide a letter Reference No. 20140095192(100),</p>	Not Resolved	The officer took the case to court, a matter which is still pending court determination.

**Kitui County Assembly Service Board Employees' Car & Mortgage Fund  
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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>Expected Date for the issue to be resolved)</i>
		<p>dated 29th July, 2022 as to why recovery measures couldn't be pursued against the property in line with the regulations. However, the officer took the case to court, a matter which is still pending court determination.</p>		



**E.M.A MUTAMBUKI  
FUNDS ADMINISTRATOR.**

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**Annex II: Inter-Fund Confirmation Letter**

There were no inter-fund disbursements during the year under review.

[Insert your Letterhead] N/A

[Insert name of beneficiary Fund] N/A


[Insert Address] N/A

The Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund (Kshs) as at 30 <sup>th</sup> June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Mutua Mwendwa Sign  Date 29/11/2023

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund  
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**Annex III: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

**Annex IV: Reporting on Disaster Management Expenditure**

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster-related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

