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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SAMBURU COUNTY ASSEMBLY STAFF  
MORTGAGE SCHEME FUND**

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

| PAPERS LAID        |                |
|--------------------|----------------|
| DATE               | 20/3/24        |
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**SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND**

**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)

***Samburu County Assembly Staff Mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Table of Content**

|  |      |
|--|------|
| 1. Key Entity Information and Management   | iii  |
| 2. The Board of Trustees (or any other governing body for the Fund)                  | v    |
| 3. Management Team   | vi   |
| 5. Report of The Fund Administrator  | ix   |
| 6. Statement of Performance Against the County Fund's Predetermined Objectives       | x    |
| 7. Corporate Governance Statement  | xi   |
| 8. Management Discussion and Analysis  | xii  |
| 9. Environmental and Sustainability Reporting  | xiii |
| 10. Report of The Trustees   | xiv  |
| 11. Statement of Management's Responsibilities                                       | xv   |
| 12. Report of The Independent Auditor  | xvi  |
| 13. Statement of Financial Performance For The Year Ended 30th June 2022             | 1    |
| 14. Statement of Financial Position As At 30 June 2022                               | 3    |
| 15. Statement Of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2022 | 5    |
| 16. Statement Of Cash Flows For The Year Ended 30 June 2022                          | 6    |
| 17. Statement Of Comparison Of Budget And Actual Amounts For The Period              | 8    |
| 18. Notes to the Financial Statements  | 9    |
| 19. Progress On Follow Up Of Prior Year Auditor's Recommendations                    | 38   |

## 1. Key Entity Information and Management

### a) Background information

SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND is established by and derives its authority and accountability from the public finance management Act on 2012. The Fund is wholly owned by the County Assembly of Samburu and is domiciled in Kenya.

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

The Fund's principal activity is to advance mortgage facilities to the members of the scheme for purposes of acquiring and owning residential properties.

### b) Principal Activities

The principal activity/mission/ mandate of the Fund is to advance mortgage facilities to the members of the scheme for purposes of acquiring and owning residential properties.

### c) Board of Trustees/Fund Administration Committee

| Ref | Name                   | Position                         |
|-----|------------------------|----------------------------------|
| 1   | Hon. Stephen Lenamarle | Chairman of the Board            |
| 2   | Hon. Leinas Lekuchula  | Vice-Chairman of the Board       |
| 3   | Hon. Ali Lealmusia     | Other trustees/Committee Members |
| 4   | Mr. Elijah Lolpirdai   | Other trustees/Committee Members |
| 5   | Ms. Joyce Lepadaasa    | Other trustees/Committee Members |

### d) Key Management

| Ref | Name                      | Position                        |
|-----|---------------------------|---------------------------------|
| 1   | Hon. Leinas Lekuchula     | Chairman of the Fund            |
| 2   | Hon. Ali Lealmusia        | Vice-Chairman of the Fund       |
| 3   | Mr. Patrick K.Leshore     | Fund Manager/ Administrator     |
| 4   | Mr. Nelson J. Lesorogol   | Director Finance and Accounting |
| 5   | Ms. Faustine S. Leshornai | Director HRM                    |
| 6   | Ms. Pascaline N. Letipila | Legal Officer                   |
| 7   | Mr. Feisal A. Abdi        | Fund Accountant                 |

**Registered Offices**

P.O. Box 3-20600

Samburu County Assembly Building

Maralal-Baragoi Road

Maralal, KENYA

**e) Fund Contacts**

Telephone: (254) 721818492

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

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

**f) Fund Bankers**

- 1) KCB BANK GROUP LTD – Maralal Branch

**g) Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

**h) Principal Legal Adviser**

The Attorney General

State Law Office







Harambee Avenue

P.O. Box 40112






City Square 00200



Nairobi, Kenya

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

| Name   | Details of qualifications and experience   |
|--|--|
| <p>1. Hon. Stephen Lenamarle</p>  | <p>Speaker of the County Assembly of Samburu and the chairman of the County Assembly Service Board (CASB).<br/>Chairman of Board of Trustee of the Mortgage Fund.<br/>Undergraduate Degree Education</p> |
| <p>2. Hon. Leinas Lekuchula</p>   | <p>Member of County Assembly for Lodokejek Ward and Vice-chairman of the County Assembly Service Board.<br/>Chairman of the Mortgage Fund Management Committee</p>                                       |
| <p>3. Hon. Ali Lealmusia</p>    | <p>Member of County Assembly for Ndoto Ward.<br/>Vice-Chairman of the Mortgage Fund Board of Trustee</p>   |
| <p>4. Mr. Patrick Leshore</p>   | <p>The Clerk of the County Assembly and Secretary to the County Assembly Service Board.<br/>Fund Administrator of the Mortgage Fund.</p>   |
| <p>5. Mr. Elijah Lolpirdai</p>  | <p>Member to the County Assembly and Secretary to the county Assembly Service Board.</p>   |
| <p>6. Ms. Joyce Lepadaasa</p>   | <p>Member to the County Assembly and Secretary to the county Assembly Service Board.</p>   |

## 7. Management Team

| Name  | Details of qualifications and experience  |
|---|---|
| <p>1.</p>    | <p><b>Hon. Leinas Lekuchula</b><br/>           Member of County Assembly for Loosuk Ward and Deputy speaker. Majority leader and Vice-chairman of the County Assembly Service Board.<br/>           Chairman of the Mortgage Fund Management Committee</p>  |
| <p>2.</p>   | <p><b>Hon. Ali Lealmusia</b><br/>           Member of County Assembly for Ndoto Ward.<br/>           Vice-Chairman of the Mortgage Fund Board of Trustee</p>  |
| <p>3.</p>  | <p><b>Mr Patrick K Leshore</b><br/>           The Clerk of the County Assembly and Secretary to the county Assembly Service Board.<br/>           Fund Administrator of the Mortgage Fund.</p>  |
| <p>4.</p>  | <p><b>Mr Nelson J Lesorogol</b><br/>           Director Finance and Accounting.<br/>           CPA and ICPAK member.<br/>           Undergraduate and Master Degree Holder.</p>   |
| <p>5.</p>  | <p><b>Mr Feisal A Abdi</b><br/>           Fund Accountant to the Mortgage Fund.<br/>           Holder of under Graduate Degree in Bachelor of Commerce from the University of Nairobi.<br/>           Holder of Master Degree in Master of Science (Msc) Finance and Investment from the University of Nairobi.</p> |

|    |   |  |
|----|---|--|
| 6. |  | <p><b>Ms Naanyu Letipila</b><br/> Legal Officer<br/> Undergraduate in Law.</p>   |
| 7. |  | <p><b>Ms Sein Leshornai</b><br/> Director Human Resource and Administration<br/> IHRM member.<br/> Undergraduate and Master Degree Holder.</p> |

### **Board/Fund Chairperson's Report**

First and foremost I wish to thank the County assembly Service Board and the mortgage management committee for their unrelenting effort in making sure the fund lives to deliver on its intended objectives.

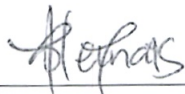
I wish to put forth that with regards to the governing board and management committee members, there is no change in the composition of the same. It is anticipated that the two committees will oversee the operations of the fund until the end of the term of the current house.

It is with humility that I report that we have so far managed to offer loan facilities to more than seventy five (75%) percent of our staff and all honourable members serving in the current house.

Going forward it is expected that more loans will be recovered and the same used to offer loans to the remaining lot of our staff members.

The Fund will also be in a position to cater for its operations cost in the future after the enactment of the revised mortgage regulation which is currently on the table of the board of trustees.

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



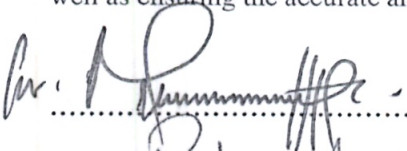
Hon. Leinas Lekuchula  
*Chairman of the Fund*

## 8. Report of The Fund Administrator

The fund expected to recover mortgage repayments and use the same funds to offer mortgage facilities to members of staff and other disbursements. The fund managed to disburse a total of Kenya Shillings Thirty-Three Million Four Hundred and Forty-Five Thousand. (Kshs. 33,445,000.00) to Members of the County Assembly and staff.

The Fund over the years have advanced mortgage facilities to members of staff and honourable members which have helped them in realising their dreams of acquiring and owning the residential properties.

The fund has been experiencing challenges in terms of data management because there was mortgage management system in place in the past. We have exponential growth in data related to mortgage loans which prompted to the procurement and acquisition of a mortgage management system in the current financial year. The said system is expected to minimise financial errors as well as ensuring the accurate and safe custody of mortgage record going forward.

  
.....  
Name: Patricia Leshore  
Fund Administrator

## **9. 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 Samburu County Assembly Staff Mortgage Scheme Fund has no mandate to carry out any development activities within the County. It is therefore accurately reported here that the Fund did not plan for and has not carried out any development activities in the financial year ended 30 June, 2022.

## 10. Corporate Governance Statement

*The Fund Administration Committee held eighteen meetings in the financial year under audit which was attended by a majority of the committee members.*

*There were no deliberations on succession plan in the various committee meeting since the mortgage regulations guides on who holds office and for what durations.*

*The mortgage fund does not have any service charter but the committee members have envisioned to adopt one in the near future.*

*The mortgage fund regulation provides the mechanisms for office holders.*

*The mortgage fund has no means of undertaking and trainings and development programs for its management committee members because the regulation that guides the fund does not provide for such costs.*

*The fund administration committee had no any conflict of interest registered in the period under review.*

*The board of trustees does not benefit from any remuneration package from the mortgage fund for the period the fund had been in existence because the regulation guiding the fund did not envision the need for such expenditure.*

*The fund is guided by the public officers' ethics Act since the fund has got no self-made code of conduct for its members and administrators. The board of trustees did not carry out any governance audit on the fund for the period under review.*

## 11. Management Discussion and Analysis

The fund expected to recover mortgage repayments and use the same funds to offer mortgage facilities to members of staff and other disbursements. The fund managed to disburse a total of Kenya Shillings Thirty-Three Million Four Hundred and Forty-Five Thousand. **(Kshs. 33,445,000.00)** to Members of the County Assembly.

The Fund management also managed to make loan recoveries to the tune of Kenya Shillings Sixty-Five Million Two Hundred and Fifty-Two Thousand Eight Hundred and Fourty Five **(Kshs. 65,252,845)** in the financial year ended 30 June, 2023.

The Fund over the years have advanced mortgage facilities to members of staff and honourable members which have helped them in realising their dreams of acquiring and owning residential properties.

## **12. Environmental and Sustainability Reporting**

The Samburu County Assembly Staff Mortgage Scheme Fund have no CSR activities done in the financial year ended 30 June, 2023 due to lack of proper strategies, policies and regulations. The fund administration envisions to adopt various policies in the near future which will enable it engage in the said activities going forward.

### 13. Report of The Trustees

The Trustees 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 is to *continue* providing mortgage facilities to the members of the scheme for purposes of acquiring and owning residential properties.

#### Results

The results of the Fund for the year ended June 30, 2023 are set out on page one.

#### Trustees

The members of the Board of Trustees who served during the year are shown on page iii.

There were no changes in the Board during the financial year 2022-2023.

#### Auditors

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

By Order of the Board



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

**Date:** 26/09/2023

#### 14. 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 Samburu County Assembly Staff Mortgage Scheme *Fund* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

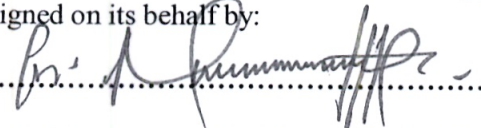
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) 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 Samburu County Assembly Staff Mortgage Scheme *Fund*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

#### Approval of the financial statements

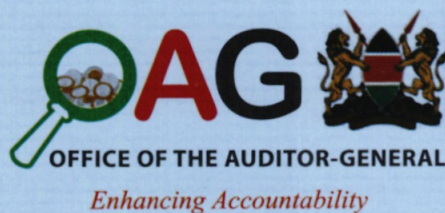
The Fund's financial statements were approved by the Board on 26-09- 2023 and signed on its behalf by:

.....  


**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SAMBURU COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND 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**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Samburu County Assembly Staff Mortgage Scheme Fund set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2023, and 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Samburu County Assembly Staff Mortgage Scheme Fund 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 do not comply with the Samburu County Assembly Car Loan and Mortgage Fund Regulations, 2021 and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1.0 Noncompliance on Presentation and Inaccuracies of Financial Statements**

The annual reports and financial statements prepared and presented for audit were not prepared as per the revised reporting template for the financial year 2022/2023 as prescribed by the Public Sector Accounting Standards Board and had inaccuracies as indicated below;

- (a) The financial statements indicate the name of the Fund as "Samburu County Assembly Staff Mortgage Scheme Fund", whereas Regulation 3 of the Samburu County Assembly Car Loan and Mortgage Fund Regulations, 2021 defined the name of the Fund as "Samburu County Assembly Car Loan and Mortgage Fund". Further, the financial statements, on pages iii-xvi, 3,4 and 7, did not indicate the name of the Fund and the reporting period.
- (b) The statement of financial performance reflects interest income and use of goods and services balances of Kshs.8,751,359 and Kshs.1,596,883 while the trail balance reflected the same as Kshs.60,037,863 and Kshs.1,899,256 respectively, resulting to unexplained variances of Kshs.51,286,504 and Kshs.302,373.
- (c) The statement of financial position was wrongly casting to reflect total net assets and liabilities balance of Kshs.363,138,607 instead of Kshs.367,371,147, leading to an unreconciled variance of Kshs.4,232,540.
- (d) The revolving fund balance of Kshs.305,000,000 as at 30 June, 2023 was not reflected in the statement of changes in net assets for the year ended 30 June, 2023.
- (e) The statement of cash flows had the following unexplained and unreconciled variances;
  - i. Net cash flows from operating activities balance was erroneously reflected as Kshs.5,906,870 instead of the recomputed balance of Kshs.6,183,792 resulting to an unexplained variance of Kshs.276,922.
  - ii. Net cash and cash equivalents was erroneously reflected as a decrease of Kshs.20,211,682 instead of a recomputed net increase of Kshs.11,629,322 resulting to an unexplained variance of Kshs.31,841,004.

- iii. The loan disbursements paid was reflected as Kshs.59,807,316 instead of Kshs.59,807,000 as per the supporting schedule leading to an unexplained variance of Kshs.316.
- iv. The cash and cash equivalents at 30 June, 2023 was reflected as Kshs.3,356,861 instead of the recomputed balance of Kshs.36,168,549 leading to an unexplained variance of Kshs.32,811,688.
- v. Interest income was reflected as Kshs.7,780,675 while the statement of financial performance and Note 4 to the financial statements reflects the same as Kshs.8,751,359 leading to an unexplained variance of Kshs.970,684

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

## **2.0 Undisclosed Transfers**

The statement of financial position reflects the revolving fund opening and closing balances as at 1 July, 2022 and 30 June, 2023 as Kshs.305,000,000. However, records provided for audit revealed transfers of Kshs.18,800,000 from the County Assembly to the Fund and which was therefore not reflected in the Fund's financial statements as capital inflow. The omission was not explained.

In the circumstances, the accuracy and completeness of the revolving fund balance of Kshs.305,000,000 could not be confirmed.

## **3.0 Unsupported Balances**

### **3.1 Cash and Cash Equivalents**

The statement of financial position as at 30 June, 2023 and Note 11 to the financial statements, reflects cash and bank balance of Kshs.3,356,861 on a current account held in a commercial bank but whose cashbook, bank reconciliation statements and certificate of bank balance as at 30 June, 2023 were not provided for audit review.

### **3.2 Long-Term Receivables**

The statement of financial position Note 12 to the financial statements reflects Kshs.197,813,425 in respect to long term receivables from exchange transactions. However, supporting schedules including ageing analysis and ledgers to support the balance were not provided for audit review.

### **3.3 Committee Allowances**

The statement of financial performance and Note 7 to the financial statements reflects Kshs.1,596,883 on use of goods and services representing committee allowance. However, the expenditures of Kshs.496,600 on training of committee members on functionality of the mortgage management system were not supported with transport documents, signed attendance register and participation certificates, and back to office report as evidence that the participants travelled, the training took place and was beneficial to the Fund.

### **3.4 Trade and Other Payables**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.4, 232,540. As previously reported, although the balance relates to refundable deposits, Management did not explain their nature or support them by way of creditors' ledger and statements.

In the circumstances the accuracy and completeness of cash and cash equivalents, long term receivables from exchange transactions, committee allowances and trade and other payables of Kshs.3,356,861, Kshs.197,813,425, Kshs.469,600 and Kshs.4,232,540 respectively could not be confirmed.

### **4.0 Non-Performing Loans**

As previously reported, the statement of financial position together with Note 12 to the financial statements reflects long term receivables from exchange transactions of Kshs.197,813,425. The balance includes an amount of Kshs.5,939,473 in respect to outstanding loans issued to Members of County Assembly (MCAs) in the first Assembly between 2013 and 2017 financial years. However, the members were not re-elected to office. These members have defaulted on the repayment of the loans and the loans were not secured with any collateral or loan security.

In the circumstances, the recoverability of the loans amounting to Kshs.5,939,473 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Issues**

The prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year audit issues and they have not been disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required of the reporting template prescribed by the Public Sector Accounting Standards Board.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1.0 Lack of an Approved Budget**

The Fund did not provide an approved budget for audit review. In the absence of an approved budget the Fund therefore collected revenue and spent without the requisite approval, contrary to Section 31 of the Public Finance Management Act, 2012, that provide that the Accounting Officer is responsible, in particular for, ensuring that; all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the entity during the financial year; the estimates prepared are complete and accurate as possible; the estimates have been framed with regard to economy and efficiency; and the requisite authority has been obtained, where necessary, before provision is made in the estimates.

In the circumstances, Management was in breach of law.

### **2.0 Lack of Security for Mortgage Loans Disbursed**

The statement of financial position as at 30 June, 2023 and Note 12 to the financial statements reflects a balance of Kshs.364,014,286 as receivables from exchange transactions which include Kshs.197,813,425 in respect to long-term repayments due on loans to Members of County Assembly and Staff. However, no collateral was charged to secure the loans contrary to section 16(1) of the Samburu County Assembly Car Loan and Mortgage Fund Regulations, 2021 which states that the Committee shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property. Further, the mortgages granted to members did not take out and maintain a mortgage fire policy and life policy with an approved insurance firm contrary to Regulation 17(1) of the Fund Regulations.

In the circumstances, Management was in breach of law.

### **3.0 Failure to Remit Loan Deductions**

The statement of financial position as at 30 June, 2023 and Note 12 to the financial statements reflects a balance of Kshs.364,014,286 as receivables from exchange transactions which include other exchange debtors balance of Kshs.46,408,951 in respect of monthly loan deductions from the staff payroll which had not been remitted to the Mortgage Fund. This is contrary to Section 19(4) of Employment Act, 2007 which requires an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) to pay the amount so deducted in

accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

In the circumstances, Management was in breach of law.

#### **4.0 Non-Adherence to Fund Regulations**

As previously reported, loan records revealed instances of non-compliance with the Samburu County Assembly Car Loan and Mortgage Fund Regulations, 2021 as detailed below: -

- i) There were no evidences that valuations were done where loans were used to buy land and developed properties.
- ii) There was no monitoring and evaluation of projects financed by the scheme to foresee that the monies sent to the borrowers were utilized for the intended purpose.
- iii) Loans were issued to members without duly completed loan applications. Files presented for audit review revealed that some applications did not indicate amounts applied for, particulars of the property, purpose of loan, applicant's signature and approval by Fund Management Committee.
- iv) Applicants did not sign offer letters/ agreements indicating amount applied for, repayment period, terms and conditions of the loans.
- v) Loan applications were not accompanied by copies of approved designs, bills of quantities, official search of the property intended to be purchased, certified copy of sale agreement and ownership documents that are authentic and certified by the County Executive Committee Member in charge of lands, physical planning and housing.
- vi) The borrowers did not provide transfer deeds duly signed by the borrower and a letter authorizing the fund committee to sell the property in case of default in payment contrary to Part XII of the third schedule to the fund regulations.

In the circumstances, Management was in breach of law.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Risk Management Policy**

The Fund did not have a Risk Management Policy contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management policy, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended.

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 Management and Fund Administration Committee**

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

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

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

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

The Fund Administration Committee is 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 Management.
- Conclude on the appropriateness of 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 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 control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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, SBS  
AUDITOR-GENERAL


Nairobi

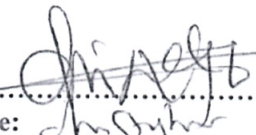
13 February, 2024

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**16. Statement of Financial Performance for The Year Ended 30th June 2023**

|   | Note | 2022-2023        | 2021-2022        |
|---|------|------------------|------------------|
|   |      | Kshs             | Kshs             |
| <b>Revenue From Non-Exchange Transactions</b> |      |                  |                  |
| Public Contributions and Donations            | 1    | -                | -                |
| Transfers From the County Government          | 2    | -                | -                |
| Fines, Penalties and Other Levies             | 3    | -                | -                |
|   |      | -                | -                |
| <b>Revenue From Exchange Transactions</b>     |      |                  |                  |
| Interest Income                               | 4    | 8,751,359        | 8,761,705        |
| Other Income                                  | 5    | -                | -                |
| <b>Total Revenue</b>                          |      | <b>8,751,359</b> | <b>8,761,705</b> |
|   |      |                  |                  |
| <b>Expenses</b>                               |      |                  |                  |
| Employee Costs                                | 6    | -                | -                |
| Use of goods and services                     | 7    | 1,596,883        | 1,873,805        |
| Depreciation and Amortization Expense         | 8    | -                | -                |
| Finance Costs                                 | 9    | -                | -                |
| <b>Total Expenses</b>                         |      | <b>1,596,883</b> | <b>1,873,805</b> |
| <b>Other Gains/Losses</b>                     |      |                  |                  |
| Gain/Loss on Disposal of Assets               | 10   | -                | -                |
| <b>Surplus/(Deficit) For The Period</b>       |      | <b>7,154,476</b> | <b>6,887,900</b> |

*for*   
 Name: **PATRICK LESIOAC**  
 Administrator of the Fund

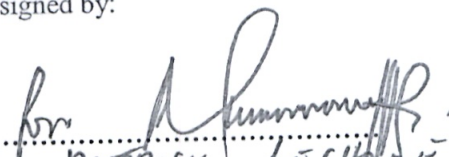
  
 Name: **Am Shyler**  
 Fund Accountant  
 ICPAK Member Number: **12731**

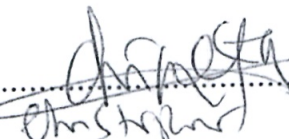


17. Statement of Financial Position as at 30 June 2023

|  | Note | 2022-2023          | 2021-2022          |
|--|------|--------------------|--------------------|
|  |      | Kshs               | Kshs               |
| <b>Assets</b>  |      |                    |                    |
| <b>Current Assets</b>  |      |                    |                    |
| Cash and Cash Equivalents  | 11   | 3,356,861          | 23,568,544         |
| Current Portion of Long- Term Receivables From Exchange Transactions | 12   | 166,200,861        | 147,078,653        |
| Prepayments  | 13   | -                  | -                  |
| Inventories  | 14   | -                  | -                  |
|  |      | -                  | -                  |
| <b>Non-Current Assets</b>  |      |                    |                    |
| Property, Plant and Equipment  | 15   | -                  | -                  |
| Intangible Assets  | 16   | -                  | -                  |
| Long Term Receivables from Exchange Transactions                     | 12   | 197,813,425        | 189,569,475        |
|  |      |                    |                    |
| <b>Total Assets</b>  |      | <b>367,371,147</b> | <b>360,216,671</b> |
| <b>Liabilities</b>   |      |                    |                    |
| <b>Current Liabilities</b>   |      |                    |                    |
| Trade and Other Payables from Exchange Transactions                  | 17   | 4,232,540          | 4,232,540          |
| Provisions   | 18   | -                  | -                  |
| Current Portion of Borrowings  | 19   | -                  | -                  |
| Employee Benefit Obligations   | 20   | -                  | -                  |
|  |      | <b>4,232,540</b>   | <b>4,232,540</b>   |
| <b>Non-Current Liabilities</b>                                       |      |                    |                    |
| Non-Current Employee Benefit Obligation                              | 20   | -                  | -                  |
| Long Term Portion of Borrowings                                      | 19   | -                  | -                  |
|  |      | -                  | -                  |
| <b>Total Liabilities</b>   |      | <b>4,232,540</b>   | <b>4,232,540</b>   |
|  |      |                    |                    |
| <b>Net Assets</b>  |      |                    |                    |
| Revolving Fund   |      | 305,000,000        | 305,000,000        |
| Reserves   |      | -                  | -                  |
| Accumulated Surplus  |      | 58,138,607         | 50,984,131         |
| <b>Total Net Assets and Liabilities</b>                              |      | <b>363,138,607</b> | <b>360,216,671</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 \_\_\_\_\_ 2023 and signed by:

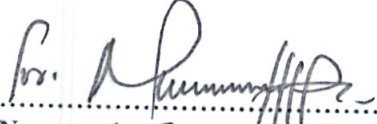
*for*   
.....  
Name: **PATRICK LESHORE**  
Administrator of the Fund

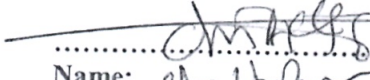
  
.....  
Name: **Christopher**  
Fund Accountant  
ICPAK Member Number: **12351**

**Samburu County Assembly Staff Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

|                                   | Revolving Fund        | Revaluation Reserve | Accumulated surplus  | Total                 |
|-----------------------------------|-----------------------|---------------------|----------------------|-----------------------|
|                                   |                       | Kshs                | Kshs                 | Kshs                  |
| <b>Balance As At 1 July 2020</b>  | <b>305,000,000.00</b> | -                   | <b>35,296,766.23</b> | <b>340,296,766.23</b> |
| Surplus/(Deficit) For the Period  | -                     | -                   | 8,799,465.01         | 8,799,465.01          |
| Funds Received During the Year    | -                     | -                   | -                    | -                     |
| Transfers                         | -                     | -                   | -                    | -                     |
| Revaluation Gain                  | -                     | -                   | -                    | -                     |
| <b>Balance As At 30 June 2021</b> | <b>305,000,000.00</b> | -                   | <b>44,096,231.24</b> | <b>349,096,231.24</b> |
| <b>Balance As At 1 July 2021</b>  | <b>305,000,000.00</b> | -                   | <b>44,096,231.24</b> | <b>349,096,231.24</b> |
| Surplus/(Deficit) For the Period  | -                     | -                   | 6,887,900.00         | 6,887,900.00          |
| Funds Received During the Year    | -                     | -                   | -                    | -                     |
| Transfers                         | -                     | -                   | -                    | -                     |
| Revaluation Gain                  | -                     | -                   | -                    | -                     |
| <b>Balance As At 30 June 2022</b> | <b>305,000,000.00</b> | -                   | <b>50,984,131.24</b> | <b>355,984,131.24</b> |
| <b>Balance As At 01 July 2022</b> | <b>305,000,000.00</b> | -                   | <b>50,984,131.24</b> | <b>355,984,131.24</b> |
| Surplus/(Deficit) For the Period  |                       |                     | 7,154,476            | 7,154,476             |
| Funds Received During the Year    |                       |                     |                      |                       |
| Transfers                         |                       |                     |                      |                       |
| Revaluation Gain                  |                       |                     |                      |                       |
| <b>Balance As At 30 June 2023</b> |                       |                     | <b>58,138,607</b>    | <b>363,138,607.24</b> |

  
 Name: **PATRICK LESORE**  
 Administrator of the Fund


  
 Name: **Christy**  
 Fund Accountant  
 ICPAK Member Number: **12751**

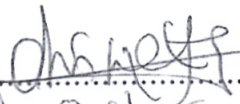
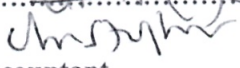
*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**19. Statement of Cash Flows for the Year Ended 30 June 2023**

|   | No<br>te | 2022-2023           | 2021-2021         |
|---|----------|---------------------|-------------------|
|   |          | Kshs                | Kshs              |
| <b>Cash flows from operating activities</b>                   |          |                     |                   |
| <b>Receipts</b>   |          |                     |                   |
| Public contributions and donations                            |          | -                   | -                 |
| Transfers from the county government                          |          | -                   | -                 |
| Interest received   |          | 7,780,675           | 7,780,675         |
| Receipts from other operating activities                      |          | -                   | -                 |
| <b>Total receipts</b>   |          | <b>7,780,675</b>    | <b>7,780,675</b>  |
| <b>Payments</b>   |          |                     |                   |
| Fund administration expenses                                  |          | -                   | -                 |
| General expenses  | 7        | 1,596,883           | 1,873,805         |
| Finance cost  |          | -                   | -                 |
| Other payments  |          | -                   | -                 |
| <b>Total Payments</b>   |          | <b>1,596,883</b>    | <b>1,873,805</b>  |
| <b>Net cash flows from operating activities</b>               | 21       | <b>5,906,870</b>    | <b>5,906,870</b>  |
| <b>Cash flows from investing activities</b>                   |          |                     |                   |
| Purchase of property, plant, equipment and Intangible assets  |          | -                   | -                 |
| Proceeds from sale of property, plant & equipment             |          | -                   | -                 |
| Proceeds from loan principal repayments                       |          | 65,252,845          | 65,252,845        |
| Loan disbursements paid out                                   |          | (59,807,316)        | (59,807,316)      |
| <b>Net cash flows used in investing activities</b>            |          | <b>5,445,530</b>    | <b>5,445,530</b>  |
| <b>Cash flows from financing activities</b>                   |          |                     |                   |
| Proceeds from revolving fund receipts                         |          | -                   | -                 |
| Additional borrowings   |          | -                   | -                 |
| Repayment of borrowings                                       |          | (-)                 | (-)               |
| <b>Net cash flows used in financing activities</b>            |          | <b>(-)</b>          | <b>(-)</b>        |
| <b>Net increase/(decrease) in cash &amp; cash Equivalents</b> |          | <b>(20,211,682)</b> | <b>11,352,399</b> |
| Cash and cash equivalents at 1 July                           | 11       | 23,568,543          | 12,216,144        |
| <b>Cash and cash equivalents at 30 June</b>                   | 11       | <b>3,356,861</b>    | <b>23,568,543</b> |

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

  
.....  
Name: PATRICK LESTER  
Administrator of the Fund

  
.....  
Name:   
Fund Accountant  
ICPAK Member Number: 12351

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**20. Statement of Comparison of Budget and Actual Amounts For The Period**

|                                    | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Utilisation |
|------------------------------------|-----------------|-------------|--------------|----------------------------|------------------------|---------------|
|                                    | 2022            | 2022        | 2022         | 2023                       | 2023                   | 2023          |
|                                    | Kshs            | Kshs        | Kshs         | Kshs                       | Kshs                   |               |
| <b>Revenue</b>                     |                 |             |              |                            |                        |               |
| Public Contributions And Donations | -               | (-)         | -            | -                          | (-)                    | -             |
| Transfers From County Govt.        | -               | -           | -            | -                          | -                      | -             |
| Interest Income                    | 9,000,000.00    | -           | 9,000,000.00 | 8,751,359.00               | 248,641                | 97%           |
| Other Income                       | -               | -           | -            | -                          | -                      | -             |
| <b>Total Income</b>                | 9,000,000.00    | -           | 9,000,000.00 | 8,751,359.00               | 248,641                | 97%           |
| <b>Expenses</b>                    |                 |             |              |                            |                        |               |
| Fund Administration Expenses       | -               | -           | -            | -                          | (-)                    | -             |
| General Expenses                   | 1,600,000.00    | -           | 1,600,000.00 | 1,596,883.00               | 3,117.00               | 99%           |
| Finance Cost                       | -               | (-)         | -            | -                          | (-)                    | -             |
| <b>Total Expenditure</b>           | 1,600,000.00    | -           | 1,600,000.00 | 1,596,883.00               | 3,117.00               | 99%           |
| <b>Surplus For The Period</b>      | -               | -           | -            | <b>7,154,476.00</b>        |                        |               |

## 21. Notes to the Financial Statements

### 1. General Information

Samburu County Assembly Staff Mortgage Scheme Fund entity is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Samburu County Assembly and is domiciled in Kenya. The entity's principal activity is providing car loan and mortgage facility to staff and Members of the County Assembly.

### 2. Statement of compliance and basis of preparation

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

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

### 3. Adoption of new and revised standards

#### (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023

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

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

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

| 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 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>The standard is not relevant to the Fund and not applied in the preparation and presentation of the financial statements.</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><b>The Fund have enabled its members possess their own residential houses thereby improving their standard of living. The improved standard of living is brought about by the extra money saved from paying low interest rates compared to loans from</b></p> |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

| Standard  | Effective date and impact:   |
|---|--|
|   | <p>commercial banks as well as the low monthly mortgage deductions as compared to the monthly market rate of house rents.</p>  |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p><b>Applicable: 1st 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> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>The standard is not relevant to the Fund and not applied in the preparation and presentation of the financial statements.</i></p> |
| <p>Other improvements to IPSAS</p>  | <p><b>Applicable 1<sup>st</sup> January 2023</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 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>The standard is not relevant to the Fund and not applied in the preparation and presentation of the financial statements.</i></p>                            |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

| Standard   | Effective date and impact:   |
|--|--|
| IPSAS 43   | <p><i>Applicable 1<sup>st</sup> January 2023</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard is not relevant to the Fund and not applied in the preparation and presentation of the financial statements.</i></p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1<sup>st</sup> January 2023</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to 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 to be presented separately in the statement of financial performance.</p> <p><i>The standard is not relevant to the Fund and not applied in the preparation and presentation of the financial statements.</i></p>   |

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2023.

**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**

The original budget for FY 2022-2023 was approved by the County Assembly on 30<sup>th</sup> June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of zero amount on the FY 2022-2023 budget following the governing body's approval.

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

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

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

*Summary Of Significant Accounting Policies (Continued)*

**c) Property, plant and equipment**

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

**d) Intangible Assets**

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

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

**a) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

***Samburu County Assembly Staff Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023***

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

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Impairment of financial assets***

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

*Samburu County Assembly Staff Mortgage Scheme Fund*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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*Summary of Significant Accounting Policies (Continued)*

**b) Inventories**

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

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

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

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

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

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

**c) Provisions**

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

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

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

***Contingent liabilities***

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

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

***Contingent assets***

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

**d) Nature and purpose of reserves**

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

**e) 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.

**f) Employee benefits – Retirement benefit plans**

The Entity does not provide retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

**g) 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.

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*Summary of Significant Accounting Policies (Continued)*

**h) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**i) 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.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The entity is a County Public Fund established by Public Finance Management Act under the Ministry of Finance. Its ultimate parent is the County Assembly of Samburu.

**n) Currency**

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

*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**

The Entity did not provide for any provisions in the FY2022/2023.

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**6. Notes to The Financial Statements**

**1. Public contributions and donations**

| Description                        | 2022-2023 | 2021-2022 |
|------------------------------------|-----------|-----------|
|                                    | Kshs      | Kshs      |
| Donation From Development Partners | -         | -         |
| Contributions From The Public      | -         | -         |
| <b>Total</b>                       | -         | -         |

**2. Transfers from County Government**

| Description                                | 2022-2023 | 2021-2022 |
|--|-----------|-----------|
|  | Kshs      | Kshs      |
| Transfers From County Govt. –Operations    | -         | -         |
| Payments By County On Behalf Of The Entity | -         | -         |
| <b>Total</b>                               | -         | -         |

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

| Description            | 2022-2023 | 2021-2022 |
|------------------------|-----------|-----------|
|                        | Kshs      | Kshs      |
| Late Payment Penalties | -         | -         |
| Fines                  | -         | -         |
| <b>Total</b>           | -         | -         |

**4. Interest income**

| Description                         | 2022-2023        | 2021-2022        |
|-------------------------------------|------------------|------------------|
|                                     | Kshs             | Kshs             |
| Interest Income From Mortgage Loans | 8,751,359        | 8,761,705        |
| Interest Income From Car Loans      | 0.00             | 0.00             |
| Interest Income From Investments    | 0.00             | 0.00             |
| Interest Income On Bank Deposits    | 0.00             | 0.00             |
| <b>Total Interest Income</b>        | <b>8,751,359</b> | <b>8,761,705</b> |

*The total interest income figure in the table above relates to the total estimated interest income from loans disbursed to members in the financial year 2022-2023*

**Samburu County Assembly Staff Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**5. Other income**

| Description                          | 2022-2023 | 2021-2022 |
|--------------------------------------|-----------|-----------|
|                                      | Kshs      | Kshs      |
| Insurance Recoveries                 | -         | -         |
| Income From Sale Of Tender Documents | -         | -         |
| Miscellaneous Income                 | -         | -         |
| <b>Total Other Income</b>            | -         | -         |

**6. Employee Costs**

| Description                  | 2022-2023 | 2021-2022 |
|------------------------------|-----------|-----------|
|                              | Kshs      | Kshs      |
| Salaries And Wages           | -         | -         |
| Staff Gratuity               | -         | -         |
| Staff Training Expenses      | -         | -         |
| Social Security Contribution | -         | -         |
| Other ( <i>Specify</i> )     | -         | -         |
| <b>Total</b>                 | -         | -         |

**7. Use of Goods and Services**

| Description                    | 2022/23      | 2021/22 |
|--------------------------------|--------------|---------|
|                                | Kshs.        | Kshs.   |
| General Office Expenses        | -            | -       |
| Loan Processing Costs          | -            | -       |
| Professional Services Costs    | -            | -       |
| Administration Fees            | -            | -       |
| Committee Allowances           | 1,596,883.00 | -       |
| Bank Charges                   | -            | -       |
| Electricity And Water Expenses | -            | -       |
| Fuel And Oil Costs             | -            | -       |
| Insurance Costs                | -            | 827,907 |
| Postage And Courier            | -            | -       |
| Printing And Stationery        | -            | -       |

**Samburu County Assembly Staff Mortgage Scheme Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

| Description                          | 2022/23             | 2021/22             |
|--------------------------------------|---------------------|---------------------|
|                                      | Kshs.               | Kshs.               |
| Rental Costs                         | -                   | -                   |
| Security Costs                       | -                   | -                   |
| Telephone And Communication Expenses | -                   | -                   |
| Audit Fees                           | -                   | -                   |
| Provision For Doubtful Debts         | -                   | -                   |
| Other ( <i>Specify</i> )             | -                   | -                   |
| <b>Total</b>                         | <b>1,596,883.00</b> | <b>1,873,105.00</b> |

**8. Depreciation and Amortization Expense**

| Description                  | 2022/23  | 2021/22  |
|------------------------------|----------|----------|
|                              | Kshs.    | Kshs.    |
| Property Plant and Equipment | -        | -        |
| Intangible Assets            | -        | -        |
| <b>Total</b>                 | <b>-</b> | <b>-</b> |

**9. Finance costs**

| Description                  | 2022-2023 | 2021-2022 |
|------------------------------|-----------|-----------|
|                              | Kshs      | Kshs      |
| Interest On Bank Overdrafts  | -         | -         |
| Interest On Loans From Banks | -         | -         |
| <b>Total</b>                 | <b>-</b>  | <b>-</b>  |

**10. Gain/(loss) on disposal of assets**

| Description                   | 2022-2023 | 2021-2022 |
|-------------------------------|-----------|-----------|
|                               | Kshs      | Kshs      |
| Property, Plant And Equipment | -         | -         |
| Intangible Assets             | -         | -         |
| <b>Total</b>                  | <b>-</b>  | <b>-</b>  |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**11. Cash and cash equivalents**

| Description                                 | 2022-2023        | 2021-2022         |
|---|------------------|-------------------|
|   | Kshs             | Kshs              |
| County Assembly of Samburu Car Loan Account | -                | -                 |
| County Assembly of Samburu Mortgage Account | -                | -                 |
| Fixed Deposits Account                      | -                | -                 |
| On – Call Deposits                          | -                | -                 |
| Current Account                             | 3,356,861        | 23,568,544        |
| Others                                      | -                | -                 |
| <b>Total Cash And Cash Equivalents</b>      | <b>3,356,861</b> | <b>23,568,544</b> |

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

| Financial Institution            | Account number | 2022-2023        | 2021-2022         |
|----------------------------------|----------------|------------------|-------------------|
|                                  |                | Kshs             | Kshs              |
| <b>a) Fixed Deposits Account</b> |                |                  |                   |
| Kenya Commercial Bank            |                | -                | -                 |
| Equity Bank, Etc.                |                | -                | -                 |
| <b>Sub- Total</b>                |                | -                | -                 |
| <b>b) On - Call Deposits</b>     |                |                  |                   |
| Kenya Commercial Bank            |                | -                | -                 |
| Equity Bank - Etc.               |                | -                | -                 |
| <b>Sub- Total</b>                |                | -                | -                 |
| <b>c) Current Account</b>        |                |                  |                   |
| Kenya Commercial Bank            |                | 3,356,861        | 23,568,544        |
| Bank B                           |                | -                | -                 |
| <b>Sub- Total</b>                |                | <b>3,356,861</b> | <b>23,568,544</b> |
| <b>d) Others(Specify)</b>        |                |                  |                   |
| Cash In Transit                  |                | -                | -                 |
| Cash In Hand                     |                | -                | -                 |
| <b>Sub- Total</b>                |                | -                | -                 |
| <b>Grand Total</b>               |                | <b>3,356,861</b> | <b>23,568,544</b> |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**12. Receivables from exchange transactions**

| Description   | 2022-2023          | 2021-2022             |
|---|--------------------|-----------------------|
|   | Kshs               | Kshs                  |
| <b>Current Receivables</b>                          |                    |                       |
| Interest Receivable                                 | 13,143,467         | 10,426,617.67         |
| Current Loan Repayments Due                         | 106,648,443        | 102,204,827.54        |
| Other Exchange Debtors                              | 46,408,951         | 34,447,208.04         |
| Less: Impairment Allowance                          | -                  | -                     |
| <b>Total Current Receivables</b>                    | <b>166,200,861</b> | <b>147,078,653.25</b> |
| <b>Non-Current Receivables</b>                      |                    |                       |
| Long Term Loan Repayments Due                       | 197,813,425        | 189,569,474.49        |
| <b>Total Non- Current Receivables</b>               | <b>197,813,425</b> | <b>189,569,474.49</b> |
| <b>Total Receivables From Exchange Transactions</b> | <b>364,014,286</b> | <b>336,648,127.74</b> |

**Additional disclosure on interest receivable**

| Description  | 2022-2023      | 2021-2022      |
|--|----------------|----------------|
|  | Kshs           | Kshs           |
| <b>Interest Receivable</b>   |                |                |
| Interest receivable from current portion of long-term loans of previous years          | -              | -              |
| Accrued interest receivable from of long-term loans of previous years                  | -              | -              |
| Interest receivable from current portion of long-term loans issued in the current year | -              | -              |
| <b>Current loan repayments due</b>   |                |                |
| Current portion of long-term loans from previous years                                 | 100,678,447.12 | 100,678,447.12 |
| Accrued principal from long-terms loans from previous periods                          | -              | -              |
| Current portion of long-term loans issued in the current year                          | 1,526,380.42   | 1,526,380.42   |

**13. Prepayments**

| Description               | 2022-2023 | 2021-2022 |
|---------------------------|-----------|-----------|
|                           | Kshs      | Kshs      |
| Prepaid Rent              | -         | -         |
| Prepaid Insurance         | -         | -         |
| Prepaid Electricity Costs | -         | -         |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

|                             |   |   |
|-----------------------------|---|---|
| Other Prepayments (Specify) | - | - |
| <b>Total</b>                | - | - |

**14. Inventories**

| Description  | 2022-2023 | 2021-2022 |
|--|-----------|-----------|
|  | Kshs      | Kshs      |
| Consumable Stores  | -         | -         |
| Spare Parts And Meters   | -         | -         |
| Catering   | -         | -         |
| Other Inventories (Specify)  | -         | -         |
| <b>Total Inventories At The Lower Of Cost And Net Realizable Value</b> | -         | -         |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

**15. Property, plant and equipment**

|                                     | Land and Buildings | Motor vehicles | Furniture and fittings | Computers and office equipment | Total |
|-------------------------------------|--------------------|----------------|------------------------|--------------------------------|-------|
| Cost                                | Kshs               | Kshs           | Kshs                   | Kshs                           | Kshs  |
| <b>At 1<sup>st</sup> July 2020</b>  | -                  | -              | -                      | -                              | -     |
| Additions                           | -                  | -              | -                      | -                              | -     |
| Disposals                           | (-)                | (-)            | -                      | -                              | (-)   |
| Transfers/Adjustments               | -                  | (-)            | -                      | (-)                            | (-)   |
| <b>At 30<sup>th</sup> June 2021</b> | -                  | -              | -                      | -                              | -     |
| <b>At 1<sup>st</sup> July 2021</b>  |                    |                |                        |                                |       |
| Additions                           | -                  | -              | -                      | -                              | -     |
| Disposals                           | (-)                | -              | -                      | -                              | (-)   |
| Transfer/Adjustments                | (-)                | -              | -                      | (-)                            | (-)   |
| <b>At 30<sup>th</sup> June 2023</b> | -                  | -              | -                      | -                              | -     |
| <b>Depreciation And Impairment</b>  |                    |                |                        |                                |       |
| At 1 <sup>st</sup> July 2020        | (-)                | (-)            | (-)                    | (-)                            | (-)   |
| Depreciation                        | (-)                | (-)            | (-)                    | (-)                            | (-)   |
| Impairment                          | (-)                | -              | -                      | -                              | (-)   |
| <b>At 30<sup>th</sup> June 2021</b> | -                  | -              | -                      | -                              | -     |
| <b>At 1<sup>st</sup> July 2021</b>  |                    |                |                        |                                |       |
| Depreciation                        | (-)                | (-)            | (-)                    | -                              | (-)   |
| Disposals                           | -                  | -              | -                      | -                              | -     |
| Impairment                          | (-)                | (-)            | -                      | -                              | (-)   |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

|                               | Land and<br>Buildings | Motor vehicles | Furniture and<br>fixtures | Computers and<br>office equipment | Total |
|-------------------------------|-----------------------|----------------|---------------------------|-----------------------------------|-------|
|                               | Kshs                  | Kshs           | Kshs                      | Kshs                              | Kshs  |
| Transfer/Adjustment           | -                     | (-)            | (-)                       | -                                 | -     |
| At 30 <sup>th</sup> June 2023 | -                     | -              | -                         | -                                 | -     |
| Net Book Values               | -                     |                |                           |                                   |       |
| At 30 <sup>th</sup> June 2021 | -                     | -              | -                         | -                                 | -     |
| At 30 <sup>th</sup> June 2023 | -                     | -              | -                         | -                                 | -     |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

**16. Intangible assets**

| Description                        | 2022-2023 | 2021-2022 |
|------------------------------------|-----------|-----------|
|                                    | Kshs      | Kshs      |
| <b>Cost</b>                        |           |           |
| At Beginning Of The Year           | -         | -         |
| Additions                          | -         | -         |
| At End Of The Year                 | -         | -         |
| <b>Amortization And Impairment</b> |           |           |
| At Beginning Of The Year           | -         | -         |
| Amortization                       | -         | -         |
| At End Of The Year                 | -         | -         |
| Impairment Loss                    | -         | -         |
| At End Of The Year                 | -         | -         |
| NBV                                | -         | -         |

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

| Description                           | 2022-2023        | 2021-2022        |
|---------------------------------------|------------------|------------------|
|                                       | Kshs             | Kshs             |
| Trade Payables                        | 4,232,540        | 4,232,540        |
| Refundable Deposits                   | -                | -                |
| Accrued Expenses                      | -                | -                |
| Other Payables                        | -                | -                |
| <b>Total Trade And Other Payables</b> | <b>4,232,540</b> | <b>4,232,540</b> |

**18. Provisions**

| Description  | Leave provision | Bonus provision | Other provision | Total    |
|--|-----------------|-----------------|-----------------|----------|
|  | Kshs            | Kshs            | Kshs            | Kshs     |
| Balance at The Beginning Of The Year (1.07.2021)   | -               | -               | -               | -        |
| Additional Provisions                              | -               | -               | -               | -        |
| Provision Utilised                                 | (-)             | (-)             | (-)             | (-)      |
| Change Due to Discount And Time Value For Money    | (-)             | (-)             | (-)             | (-)      |
| Transfers From Non -Current Provisions             | -               | -               | -               | -        |
| <b>Balance at The End Of The Year (30.06.2022)</b> | <b>-</b>        | <b>-</b>        | <b>-</b>        | <b>-</b> |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

**19. Borrowings**

| Description   | 2022-2023 | 2021-2022 |
|---|-----------|-----------|
|   | Kshs      | Kshs      |
| <b>Balance At Beginning of The Period</b>           | -         | -         |
| External Borrowings During the Year                 | -         | -         |
| Domestic Borrowings During the Year                 | -         | -         |
| Repayments Of External Borrowings During the Period | (-)       | (-)       |
| Repayments Of Domestic Borrowings During the Period | (-)       | (-)       |
| <b>Balance At End of The Period</b>                 | -         | -         |

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

|   | 2022-2023 | 2021-2022 |
|---|-----------|-----------|
|   | Kshs      | Kshs      |
| <b>External Borrowings</b>                            |           |           |
| Dollar Denominated Loan From 'X Organisation'         | -         | -         |
| Sterling Pound Denominated Loan From 'Y Organisation' | -         | -         |
| Euro Denominated Loan from Z Organisation'            | -         | -         |
| <b>Domestic Borrowings</b>                            |           |           |
| Kenya Shilling Loan From KCB                          | -         | -         |
| Kenya Shilling Loan from Barclays Bank                | -         | -         |
| Kenya Shilling Loan from Consolidated Bank            | -         | -         |
| Borrowings From Other Government Institutions         | -         | -         |
| <b>Total Balance at End Of The Year</b>               | -         | -         |

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

| Description                            | 2022-2023 | 2021-2022 |
|--|-----------|-----------|
|  | Kshs      | Kshs      |
| Short Term Borrowings(Current Portion) | -         | -         |
| Long Term Borrowings                   | -         | -         |
| <b>Total</b>                           | -         | -         |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

**20. Employee benefit obligations**

| Description                    | Defined benefit plan | Post-employment medical benefits | Other Provisions | 2022-2023 | 2021-2022 |
|--------------------------------|----------------------|----------------------------------|------------------|-----------|-----------|
|                                | Kshs                 | Kshs                             | Kshs             | Kshs      | Kshs      |
| Current Benefit Obligation     | -                    | -                                | -                | -         | -         |
| Non-Current Benefit Obligation | -                    | -                                | -                | -         | -         |
| <b>Total</b>                   | -                    | -                                | -                | -         | -         |

**21. Cash generated from operations**

|   | 2022-2023          | 2021-2022        |
|---|--------------------|------------------|
|   | Kshs               | Kshs             |
| <b>Surplus/ (Deficit) For the Year Before Tax</b> | <b>7,154,476</b>   | <b>6,887,900</b> |
| <b>Adjusted For:</b>                              |                    |                  |
| Depreciation                                      | -                  | -                |
| Amortisation                                      | -                  | -                |
| Gains/ Losses On Disposal Of Assets               | (-)                | (-)              |
| Interest Income                                   | 8,751,359          | 8,761,705        |
| Finance Cost                                      | -                  | -                |
| <b>Working Capital Adjustments</b>                |                    |                  |
| Increase In Inventory                             | (-)                | (-)              |
| Increase In Receivables                           | (19,122,208)       | (9,742,735)      |
| Increase In Payables                              | -                  | -                |
| <b>Net Cash Flow From Operating Activities</b>    | <b>(3,216,373)</b> | <b>5,906,870</b> |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

|                                 | 2022-2023 | 2021-2022 |
|---------------------------------|-----------|-----------|
|                                 | Kshs      | Kshs      |
| Transfers From Related Parties' | -         | -         |
| Transfers To Related Parties    | -         | -         |

**c) Key management remuneration**

|                             | 2022-2023 | 2021-2022 |
|-----------------------------|-----------|-----------|
|                             | Kshs      | Kshs      |
| Board Of Trustees           | -         | -         |
| Key Management Compensation | -         | -         |
| <b>Total</b>                | -         | -         |

**d) Due from related parties**

|                            | 2022-2023 | 2021-2022 |
|----------------------------|-----------|-----------|
|                            | Kshs      | Kshs      |
| Due From Parent Ministry   | -         | -         |
| Due From County Government | -         | -         |
| <b>Total</b>               | -         | -         |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Other Disclosures Continued**

**e) Due to related parties**

|                                 | 2022-2023 | 2021-2022 |
|---------------------------------|-----------|-----------|
|                                 | Kshs      | Kshs      |
| Due To Parent Ministry          | -         | -         |
| Due To County Government        | -         | -         |
| Due To Key Management Personnel | -         | -         |
| <b>Total</b>                    | -         | -         |

**23. Contingent assets and contingent liabilities**

| Contingent Liabilities      | 2022-2023 | 2021-2022 |
|-----------------------------|-----------|-----------|
|                             | Kshs      | Kshs      |
| Court Case Against The Fund | -         | -         |
| Bank Guarantees             | -         | -         |
| <b>Total</b>                | -         | -         |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Other Disclosures Continued**

**24. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

|  | Total amount<br>Kshs | Fully<br>performing<br>Kshs | Past due<br>Kshs | Impaired<br>Kshs |
|--|----------------------|-----------------------------|------------------|------------------|
| <b>At 30 June 2023</b>                     |                      |                             |                  |                  |
| Receivables From Exchange Transactions     | 364,014,286          | 336,648,127                 | -                | -                |
| Receivables From Non-Exchange Transactions | -                    | -                           | -                | -                |
| Bank Balances                              | 3,356,861            | -                           | -                | -                |
| <b>Total</b>                               | <b>367,371,147</b>   | <b>336,648,127</b>          | -                | -                |
| <b>At 30 June 2022</b>                     |                      |                             |                  |                  |
| Receivables From Exchange Transactions     | 367,371,147          | 336,648,127                 | -                | -                |
| Receivables From Non-Exchange Transactions | -                    | -                           | -                | -                |
| Bank Balances                              | 23,568,544           | -                           | -                | -                |
| <b>Total</b>                               | <b>390,939,691</b>   | <b>336,648,127</b>          | -                | -                |

***Samburu County Assembly Staff Mortgage Scheme Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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 xxxx

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.

|                               | Less than 1<br>month | Between 1-<br>3 months | Over 5<br>months | Total            |
|-------------------------------|----------------------|------------------------|------------------|------------------|
|                               | Kshs                 | Kshs                   | Kshs             | Kshs             |
| <b>At 30 June 2022</b>        |                      |                        |                  |                  |
| Trade Payables                | -                    | -                      | 4,232,540        | 4,232,540        |
| Current Portion Of Borrowings | -                    | -                      | -                | -                |
| Provisions                    | -                    | -                      | -                | -                |
| Employee Benefit Obligation   | -                    | -                      | -                | -                |
| <b>Total</b>                  | -                    | -                      | <b>4,232,540</b> | <b>4,232,540</b> |
| <b>At 30 June 2021</b>        |                      |                        |                  |                  |
| Trade Payables                | -                    | -                      | 4,232,540        | 4,232,540        |
| Current Portion Of Borrowings | -                    | -                      | -                | -                |
| Provisions                    | -                    | -                      | -                | -                |
| Employee Benefit Obligation   | -                    | -                      | -                | -                |
| <b>Total</b>                  | -                    | -                      | <b>4,232,540</b> | <b>4,232,540</b> |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**c) Market risk**

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

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

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

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

**i. Foreign currency risk**

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

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

|  |      | Other<br>currencies | Total |
|--|------|---------------------|-------|
|  | Kshs | Kshs                | Kshs  |
| <b>At 30 June 202</b>                  |      |                     |       |
| Financial Assets                       | -    | -                   | -     |
| Investments                            | -    | -                   | -     |
| Cash                                   | -    | -                   | -     |
| Debtors/ Receivables                   | -    | -                   | -     |
| <b>Liabilities</b>                     |      |                     |       |
| Trade And Other Payables               | -    | -                   | -     |
| Borrowings                             | -    | -                   | -     |
| Net Foreign Currency Asset/(Liability) | -    | -                   | -     |

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Foreign currency sensitivity analysis**

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

|             | Change in<br>currency rate | Effect on surplus/<br>deficit | Effect on<br>equity |
|-------------|----------------------------|-------------------------------|---------------------|
|             | Kshs                       | Kshs                          | Kshs                |
| <b>2022</b> |                            |                               |                     |
| Euro        | 10%                        | -                             | -                   |
| USD         | 10%                        | -                             | -                   |
| <b>2021</b> |                            |                               |                     |
| Euro        | 10%                        | -                             | -                   |
| USD         | 10%                        | -                             | -                   |

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

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 xxx (2022: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2021 – KShs xxx)

*Samburu County Assembly Staff Mortgage Scheme Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**d) Capital risk management**

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

|   | 2022-2023          | 2021-2022          |
|---|--------------------|--------------------|
|   | Kshs               | Kshs               |
| Revaluation reserve                         | 0.00               | 0.00               |
| Revolving fund                              | 305,000,000        | 305,000,000        |
| Accumulated surplus                         | 7,154,476          | 6,887,900          |
| <b>Total funds</b>                          | <b>312,154,476</b> | <b>411,887,900</b> |
|   |                    |                    |
| Total borrowings                            | -                  | -                  |
| Less: cash and bank balances                | 3,356,861          | (23,568,543.50)    |
| Net debt/(excess cash and cash equivalents) | 3,356,861          | (23,568,543.50)    |
| <b>Gearing</b>                              | <b>0.00%</b>       | <b>0.00%</b>       |

**Samburu County Assembly Staff Mortgage Scheme Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**22. Progress On Follow Up of Prior Year Auditor’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---------------------|-----------------------------------|--|
|  |                                   |                     |                                   |  |
|  |                                   |                     |                                   |  |
|  |                                   |                     |                                   |  |

**Guidance Note**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.