

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

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COMMITTEE	Chair
CLERK AT THE TABLE	

**THARAKA NITHI COUNTY EXECUTIVE STAFF
MORTGAGE AND CAR LOAN SCHEME FUND**

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

REPUBLIC OF KENYA



THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND CAR LOAN SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended June 30, 2023

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**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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1. Acronyms and Glossary of Terms

CA	County Assembly
B/F	Brought Forward
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue

a) Glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended June 30, 2023**

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund is established by and derives its authority and accountability from Public Management Finance Act, 2012 and Public Finance Management (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2022. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The fund's objective is to provide low interest mortgage and car loans to County executive staff.

The Fund's principal activity is to mobilise and provide funds for advance loans to county staff.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide funds for mortgage and car loans to county executive employees.

c) Fund Management Committee

Ref	Name	Position
1	Lawrence Ileri Rweria	CECM Finance and Econ. Planning / Chairman
2	Wycliffe Kinyua Kabinga	CO Finance and Economic Planning /Fund Administrator
3	Eng. Julius Giti	CECM Public Works and Housing
4	Justus Mutembei Nabea	Secretary, County Public Service Board
5	Lilian Gatwiri Kiruja	Legal Officer
6	Fredrick Nthiga Njiru	Director Human Resources

d) Key Management

Ref	Name	Position
1	Lawrence Ileri Rweria	CECM Finance and Econ. Planning
2	Wycliffe Kinyua Kabinga	CO Finance and Economic Planning /Fund Administrator
3	Humphrey Gitonga	Director Finance
4	CPA Nduati E.K.	Director Accounting Services
5	Lilian Kiruja	Legal Officer

e) Registered Offices

Entity Headquarters

County Headquarters Building
Kathwana Town
P.O. Box 10-60406
KATHWANA

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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Entity Contacts

Telephone: 1513

E-mail treasury@tharakanithi.go.ke

Website: www.tharakanithicounty.go.ke

Entity Bankers

1. Co-operative Bank of Kenya

Chuka Branch

P.O. Box 60000 – 00400

CHUKA

f) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

g) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

NAIROBI, KENYA

h) County Attorney

The County Attorney

County Government of Tharaka Nithi

P.O. Box 10- 60406

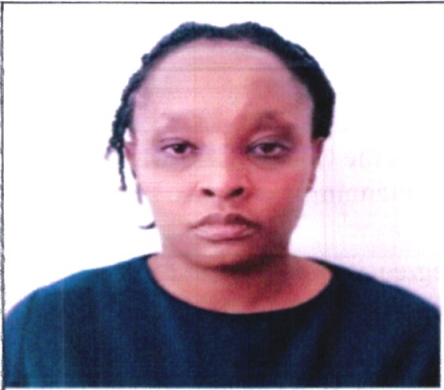

KATHWANA

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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For the Year Ended June 30, 2023**

3. THE FUND MANAGEMENT COMMITTEE





Name	Details of qualifications and experience
 Lawrence K. Ileri Rweria	<p>Mr. Lawrence Ileri Rweria is the County CEC Member for Finance and Economic Planning and also the Fund Administrator.</p> <p>He holds a Master's Degree in Finance and Bachelor's Degree Education Arts (Economic and Business)</p> <p>He previously worked with Central Bank of Kenya in Banking Division with over 39 years work experience in bank operations management</p> <p>Year of birth;1964</p>
 Wycliffe Kinyua Kabinga	<p>Mr. Wycliffe Kinyua Kabinga is the County Chief Officer in charge of Finances and Economic Planning and Fund Administrator</p> <p>He holds bachelor's degree in Arts (Economics and Sociology) from University of Nairobi. Has extensive training in information technology locally and abroad.</p> <p>He has over 10 years work experience in banking sector as Operations Manager.</p> <p>Year of birth 1982</p>
 Eng. Julius Giti	<p>Eng. Julius Giti is the CECM for Land, Physical Planning Roads, Infrastructure, Public Works, Urban Development, Housing.</p> <p>He holds a Master's Degree in Construction Engineering Management and Bachelor's Degree Civil Engineering from University of Nairobi</p> <p>He has vast experience both in private and public sector with over for over ten years.</p> <p>Year of birth;1978</p>
 Justus Mutembei Nabea	<p>Mr. Justus Nabea is the Secretary to the County Public Service Board</p> <p>He holds Bachelor of Commerce degree from KCA, CPA (K) and registered member of ICPAK</p> <p>Has over 10 years work experience in both private and public sector</p> <p>Year of birth 1979</p>

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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	<p>Mr. Lilian Gatwiri Kiruja is the County Lega Officer.</p> <p>He holds Bachelor of Laws degree from University of London and Post Graduate Diploma in Legal Studies – Council of Legal Education.</p> <p>Admitted as an Advocate of the High Court of Kenya and commissioner for oaths.</p> <p>She over 10 years work experience in both private and public sector</p> <p>Year of birth; 1982</p>
<p>Lilian Gatwiri Kiruja</p>	<p>Mr. Fredrick Njiru is the County Director of Human Resource Management and Development</p> <p>He holds Master’s Degree (MBA) in Human Resource Management, Bachelor of Commerce Degree in HRM, Diploma in Bible and Theology, Diploma in Pharmacy, Certificate in Strategic Leadership Development Programme and registered member of Institute of Human resource Management (IHRM)</p> <p>He has over 15 years’ experience in Human Resource Management with National and County Government</p> <p>Year of Birth. 1982</p>
	<p>Fredrick Nthiga Njiru</p>

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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4. THE KEY MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>Lawrence Ileri Rweria</p>	<p>Mr. Lawrence Ileri Rweria is the County CEC Member for Finance and Economic Planning and also the Fund Administrator.</p> <p>He holds a Master's Degree in Finance and Bachelor's Degree Education Arts (Economic and Business)</p> <p>He previously worked with Central Bank of Kenya in Banking Division with over 39 years work experience in bank operations management</p> <p>Year of birth;1964</p>
 <p>Wycliffe Kinyua Kabinga</p>	<p>Mr. Wycliffe Kinyua Kabinga is the County Chief Officer in charge of Finances and Economic Planning</p> <p>He holds bachelor's degree in Arts (Economics and Sociology) from University of Nairobi. Has extensive trained in information technology locally and abroad.</p> <p>He has over 10 years work experience in banking sector as Operations Manager.</p> <p>Year of birth 1982</p>
 <p>Humphrey Kinyua Gitonga</p>	<p>Mr. Humphrey Gitonga is the County Director of Finance.</p> <p>He holds degree in Bachelor of Commerce (Accounting) from Maseno University.</p> <p>He has over 20 years work experience in public sector finance management having previously worked in banking sector</p> <p>Year of Birth 1970</p>
 <p>CPA, CS Nduati E.K.</p>	<p>CPA, CS Nduati is the County Director - Accounting Services</p> <p>He is qualified Accountant and registered professional member of ICPAK (6720) and Certified Secretary, registered member ICPSK (2253). He holds Master's Degree in Finance (UON), B.A. Economics (UON). PhD Candidate at JKUAT</p> <p>He has over 12 years work experience in public sector finance management and specialist in public accounting</p> <p>Year of birth 1980</p>

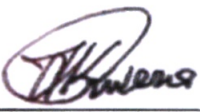
**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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5. MORTGAGE AND CAR LOAN FUND COMMITTEE CHAIRPERSON REPORT

During the year under review, the County Government of Tharaka Nithi allocated an amount of Ksh. 20,000,0000 as grant to Mortgage and Car Loan Scheme Fund. However, by end of the financial year, no funds had been received.

However, the fund processed applications from eligible staff with total of nine (9) been awarded, awaiting release of funds from County executive to enable disburse the same to successful applicants. The salary deductions were effected from the month of May 2023 with Ksh. 3,156,928 received.

Thank you

Signed: 
Lawrence K. Ileri Rweria
Fund Chairman

Date: 12th July 2023

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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For the Year Ended June 30, 2023**

6. REPORT OF THE MORTGAGE AND CAR LOAN FUND ADMINISTRATOR

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Amendment, 2022) to provide for resources to grant mortgage and car loan to county executive employees,

The County Government of Tharaka Nithi had set aside Ksh. 20,000,000 (Twenty Million) for allocation to the Fund during the financial year 2022/2023. However, the County Government had not transferred the funds as at 30th June 2023. The Fund reported zero performance during the financial year was as follows;

a. Income

Description	Original Budget Ksh	Adjustment During the Period	Approved Budget	Actual Ksh.	Variance Ksh
County Government Allocation	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)
Total Income	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)


b. Expenditure

Particulars	Original Budget Ksh.	Adjustment During the Period	Approved Budget	Actual Ksh.	Variance Ksh
Mortgage and Loans	50,000,000	(300,000,000)	20,000,000	-	(20,000,000)
Use of Goods and Services	-	-	-	-	-
Total	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)

During the year under review no car loans or mortgages were paid to the applicants.

I take this opportunity to appreciate H.E. The Governor, Members of County Assembly and the Management Team for your commitment and immense support accorded to the Fund.

Thank you

Signed: 
Wycliff Kinyua Kabinga
Fund Administrator

Date: 12th July 2023

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
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7. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETERMINED OBJECTIVES

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Amendment, 2022) to provide for resources to grant mortgage and car loan to county executive employees.

The County Government of Tharaka Nithi had set aside Ksh. 20,000,000 (Twenty Million) for allocation to Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund during the financial year 2022/23 However, funds had not been received by the Fund for the year ended 30th June, 2023. There was no expenditure during the financial year reporting.

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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8. CORPORATE GOVERNANCE STATEMENT

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Amendment, 2022) to provide for resources to grant mortgage and car loan to county executive employees.

Section 6 of the Fund Regulations, 2022 provides that there is established Fund Management Committee to be known as the County Staff Mortgage and Car Loan Scheme Fund Management Committee, which shall consist of;

- (a) the County Executive Committee member for Finance who shall be the chairperson;
- (b) the Chief Officer in charge of Finance who shall also be the Fund Administrator
- (c) Secretary to County Public Service Board
- (d) Director Human Resource Management
- (e) County Attorney

(2) The Management Committee shall be supported by a secretariat consisting of the following officers-

- (a) Director of Administration;
- (b) County Attorney;
- (c) County Treasury Nominee nominated by Head of the County Treasury; and

The County Executive Committee Member shall appoint an officer to administer the Fund in accordance with Section 116 (2) Public Finance Management Act 2012 who shall be an ex officio member and secretary to the committee.

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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9. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Amendment, 2022) to provide for resources to grant mortgage and car loan to county executive employees.

The County Government of Tharaka Nithi had set aside Ksh. 20,000,000 (Twenty Million) for allocation to Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund during the financial year 2022/23 However, funds had not been received by the Fund for the year ended 30th June, 2023. There was no expenditure during the financial year reporting.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund exists to provide low interest mortgage and car loans to county executive employees.

This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on five pillars: Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The Fund management has put plans for fund sustainability through reimbursement of amount utilised from the county appropriation.

2. Environmental Performance

To ensure environmental sustainability, the fund has endeavoured to apply eco-friendly operations that minimise harmful effect on the environment. The Fund has in its policy to conserve the environment through use of electronic documents rather than printed copies.

3. Employee Welfare

The Fund has not hired its own staff but obtain necessary human resources from the County Executive. The Fund has ensured the employees seconded by the County Executive are adequately facilitated and provided with conducive working environment.

4. Market Place Practices-

The Fund being a Public funded entity is governed by The Public Procurement and Disposal Act, 2015. The Fund has endeavoured to adhere to the requirement of the law in the process of procurement of goods and services.

The Fund does not condone any unethical and corrupt practices in dealing with its suppliers. The highest level of integrity is mandatory among its employees. The supplies are paid within stipulated time including the remittance of tax to Kenya Revenue Authority.

The advertisement for supply of goods and services is done through public notices and widely circulated local newspaper. All bidders are given equal opportunity whereas certain category of goods and services is reserved for Youth, Women and People with Disabilities.

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended June 30, 2023**

11. REPORT OF FUND ADVISORY COMMITTEE

The Fund Advisory Committee submit the annual report together with the Financial Statements for the financial year ended **30th June 2023**, which show the state of the Fund affairs.

10.1 Principal activities

The principal activity/mission/ mandate of the Fund is to provide low interest mortgage and car loan to county executive employees.

10.2 Performance

The performance of the Fund for the financial year ended **30th June, 2023**, are set out on page 1 to 6

10.3 Advisory Committee

The members of the Advisory Committee who served during the financial year are shown on page iv. There were no changes in the Administration Committee during the financial year.

10.4 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 Administration Committee

Signed: 
Wycliffe Kinyua Kabinga
Fund Administrator

Date: 12th July 2023

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Constitution or an Act of Parliament or an Act of County Assembly, 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme 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 **30th June 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund Regulations, 2022. 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 **30th June 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 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 Administration Committee on **12th July, 2023** and signed on its behalf by:



**Wycliffe Kimyua Kabinga
FUND ADMINISTRATOR**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the

Report of the Auditor-General on Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2023

provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tharaka Nithi County Executive Staff Mortgage and Car Loan 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 comply with the County Governments Act, 2012 and the Public Finance Management (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2022.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

The Fund Administrator report on page viii reflect budget expenditure adjustment of Kshs.(300,000,000) instead of the actual amount of Kshs.(30,000,000) resulting to unreconciled variance of Kshs.(270,000,000). The budget information on page 9 refers to emergency fund instead of the County Executive Mortgage and Car Loan Scheme Fund. The financial statements on page 21 refers to Tharaka Nithi County Emergency Fund Act,2016 instead of Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Regulations, 2022. The progress on follow up of prior year auditor recommendations erroneously reflect the word prio instead of prior and guidance notes as part the financial statements.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2023 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Tharaka Nithi County Executive Staff Mortgage and Car Loan 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.20,000,000 and Nil respectively resulting to fund capital underfunding of Kshs.20,000,000 or 100% of the budget.

The fund capital underfunding of Kshs.20,000,000 may have negatively affected the planned programs that were meant to improve welfare of the staff.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the other information which comprise of Key Entity Information and Management, The Fund Management Committee, Key Management Team, Mortgage and Car Loan Fund Committee Chairperson Report, Report of the Mortgage and Car Loan Fund Administrator, Statement of Performance Against Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Fund Advisory Committee and Statement of Managements Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform

the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how 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 overall governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA/Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 January, 2024

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended June 30, 2023**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE
2023**

	Note	2022/2023
		Ksh.
Revenue		
Transfers from the County Government	1	-
Other Income	2	-
Total Income		-
Expenses		
Use of Goods and Services	3	-
Total Expenses		-
Surplus/(deficit) for the Year		-

The notes set out on page 16 – 21 form an integral part of these Financial Statements

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 12th July 2023 and signed by:



Wycliffe Kinyua Kabinga
Fund Administrator



CPA Nduati E.K
Director Accountant Services
ICPAK No. 6720

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended June 30, 2023**

15. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2023

	Note	2022/2023 Ksh
Assets		
Finance Assets		
Account Receivables	4	-
Cash and Cash Equivalents	6	3,156,928
Total Current Assets		3,156,928
Liabilities		
Account Payables	5	3,156,928
Total Liabilities		3,156,928
Net assets		-
Financed By		
Reserves		-
Accumulated Surplus		-
Total Net Assets and Liabilities		-

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 12th July 2023 and signed by:



Wycliffe Kinyua Kabinga
Fund Administrator



CPA Nduati E.K.
Director Accountant Services
ICPAK No. 6720

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE 2023

	Accumulated Surplus	Total
	Ksh.	Ksh.
Balance as at 1st July 2022	-	-
Surplus/(deficit) for the Year	-	-
Funds received during the Year	-	-
Balance as at 30th June 2023	-	-

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 12th July 2023 and signed by:



Wycliffe Kinyua Kabinga
Fund Administrator



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2023

	Note	2022/2023
		Ksh
Cash Flows from Operating Activities		
Receipts		
Transfers from the County Government	1	-
Other Income	2	-
Total Receipts		
Payments		
Use of Goods and Services	3	-
Adjusted for:		
Decrease/(Increase) in Accounts Receivable:		-
Increase/(Decrease) in Accounts Payable:		3,156,928
Net Cash Flows from Operating Activities		3,156,928
Net increase/(decrease) in Cash and Cash Equivalents		-
Cash and Cash Equivalents at Beginning of the Year		-
Cash and Cash Equivalents at End of the Year		3,156,928

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
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18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable Basis	Performance Difference	% Utilisation
Revenue	Ksh	Ksh	Ksh	Ksh	Ksh	
Transfers from County Govt	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)	0%
Total Revenue	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)	0%
Mortgage and Car Loans	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)	0%
Use of Goods and Services	-	-	-	-	-	00%
Total Expenditure	50,000,000	(30,000,000)	20,000,000	-	(20,000,000)	0%

The explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12th July 2023 Signed by:



Wycliff Kinyua Kabinga
Fund Administrator



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

19. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General Information

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund Amendment, 2022). The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya. The Fund's principal activity is to provide funds to provide for resources to grant mortgage and car loan to county executive employees.

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 Periods 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

a) Relevant new standards and amendments to published standards effective for the year ended 30th June 2023

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(The standard has no impact to the Fund)</i></p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The</p>

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
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	<p>information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p><i>(The standard has no impact to the Fund)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>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 has no impact to the Fund)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>(The standard has no impact to the Fund)</i></p>

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New and Amended Standards and Interpretations in issue but not effective for the year ended 30th June 2023

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>(The standard has no impact to the Fund)</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to 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 has no impact to the Fund)</i></p>

c) Early adoption of standards

The Fund did not early – adopt any new or amended standards in the financial year.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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 financial year.

Dividends

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

Rental income

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

5. Budget Information

The original budget for FY 2022/2023 was approved by the County Assembly on 16th June 2022. The was one budget revision to the approved budget in accordance with specific approvals from the appropriate authorities.

The Emergency Fund 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.

SIGNIFICANT ACCOUNTING POLICIES (continued)

6. 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.

7. 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.

8. Investment Property

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

9. Financial Instruments

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial assets

Classification of Financial Assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

d) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

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

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Employee benefits – Retirement benefit plans

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

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

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Comparative figures

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

Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

20. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM COUNTY GOVERNMENT

Description	2022/2023
	Ksh.
Current Grants Transfers	-
Total	-

2. OTHER INCOME

Description	2022/2023
	Ksh.
Interest on Mortgage	-
Interest on Car Loans	-
Total	-

3. USE OF GOODS AND SERVICES

Description	2022/2023
	Ksh.
Bank Charges	-
Total	-

4. ACCOUNT RECEIVABLES

Description	2022/2023
	Ksh.
Mortgage	-
Car Loans	-
Total	-

5. ACCOUNT PAYABLES

Description	2022/2023
	Ksh.
Loan Pre-Payments	3,156,928
Total	3,156,928

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. CASH AND CASH EQUIVALENTS

Description	30 th June 2023
	Ksh.
Bank Account	3,156,928
Total cash and cash equivalents	3,156,928

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

Financial institution	Account number	30 th June 2023
		Ksh.
a) On - call deposits		
Co-operative Bank – Chuka	01141923530601	3,156,928
Grand total		3,156,928

7. CASH GENERATED FORM OPERATIONS

	2022/2023
	Ksh.
Surplus/ (deficit) for the Year before Tax	-
Adjusted for:	
Depreciation	-
Working Capital Adjustments	-
Increase in receivables	-
Increase in payables	-
Net cash flow from Operating Activities	-

8. 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;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Related party transactions

	2022/2023
	Ksh.
Transfers from County Government	-
Total	-

9. Financial Risk Management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Ksh.	Fully performing Ksh.	Past due Ksh.	Impaired Ksh.
At 30th June 2023				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	3,156,928	3,156,928	-	-
Total	3,156,928	3,156,928	-	-

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 no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Administration Committee 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 Month	Between 1-3 Months	Over 5 Months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 30th June 2023				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

c) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Currencies	Total
	Ksh.	Ksh.	Ksh.
At 30th June 2023			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	Ksh.	Ksh.	Ksh.
2023			
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management.

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

	2022/2023
	Ksh.
Revaluation reserve	-
Revolving fund	-
Accumulated surplus	-
Total funds	-
Total borrowings	-
Less: cash and bank balances	3,156,928
Net debt / (excess cash and cash equivalents)	(3,156,928)
Gearing	0%

8. Events after the reporting period

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

9. Ultimate and Holding Entity

The entity is a County Public Fund established by Tharaka Nithi County Emergency Fund Act, 2016 under the docket of Finance and Economic Planning. Its ultimate parent is the County Government of Tharaka Nithi.

10. Currency

The financial statements are presented in Kenya Shilling (Ksh.).

21. APPENDIX

L. PROGRESS ON FOLLOW UP OF PRIO YEAR AUDITOR'S RECOMMENDATION

The Fund is reporting in current financial year as the initial year therefore no audit has been carried out previously.

Guidance Notes:

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



Sign: _____

Wycliff Kinyua Kabinga

Tharaka Nithi Executive Mortgage and Car Loan Scheme Fund Administrator

Date: 12th July 2023

II. INTER – ENTITY TRANSFERS

ENTITY NAME:		THARAKA NITHI COUNTY EMERGENCY FUND		
Break down of Transfers from the County Executive of Tharaka Nithi County Government				
FY 2022/2023				
a	Recurrent Grants	Bank Statement Date	Amount (Ksh)	Relate to FY
		Total		
b	Direct Payments	Bank Statement Date	Amount (Ksh)	Relate to FY
		Total		

The above amounts have been communicated to and reconciled with the County Government of Tharaka Nithi



Sign: _____
 Wycliffe Kinyua Kabinga
 Fund Administrator
 Mortgage and Car Loan Fund



Sign: _____
 Humphrey Gitonga Kinyua
 Director Finance
 County Government of Tharaka Nithi

Date: 12th July 2023

Date: 12th July 2023