

REPUBLIC OF KENYA



Enhancing Accountability



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REPORT	
DATE: 17 AUG 2023	DAY: THUR
TABLED BY: OF	Hon. Naomi Wago, MP Deputy Majority Whip
CLERK-AT THE TABLE:	Anne Shubuko

THE AUDITOR-GENERAL

ON

JUDICIARY MORTGAGE SCHEME

**FOR THE YEAR ENDED
30 JUNE, 2012**



12/10/20



REPUBLIC OF KENYA

THE JUDICIARY



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JUDICIARY
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MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2012

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

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Contents

1. KEY SCHEME INFORMATION AND MANAGEMENT.....	ii
2. CHAIRMAN'S STATEMENT.....	5
3. CORPORATE GOVERNANCE STATEMENT.....	6
4. MANAGEMENT DISCUSSION AND ANALYSIS.....	7
5. ENVIRONMENTAL AND SUSTAINABILITY.....	8
6. REPORT OF FUND ADMINISTRATIVE COMMITTEES.....	9
7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES.....	10
8. REPORT OF THE AUDITOR GENERAL.....	12
9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2012.....	13
10. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012.....	14
11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2012.....	15
12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2012.....	16
13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2012.....	17
14. NOTES TO THE FINANCIAL STATEMENTS.....	18

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. KEY SCHEME INFORMATION AND MANAGEMENT

a) Background information

Judiciary Mortgage Scheme is established by and derives its authority and accountability from Judicial Service Act, 2011 on 19th June 2012. The Scheme is wholly owned by The Judiciary Scheme and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Scheme is;

- To provide loan facilities at negotiated interest rates to purchase or build their own houses
- To provide decent living conditions for the Judiciary staff
- To provide incentive to staff as a means of attracting and retaining high calibre staff.

The Scheme is administered by the Kenya Commercial Bank Limited. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Scheme for the disbursement of loans, and supervising the day-to-day operations of the Scheme.

The Secretariat is responsible for the day-to-day operations.

Judiciary Loans Management Committee Members.

The Loans committee that served during the period under review were:

Ref	Position	Name
1.	Chairperson	Hon. Kakai Kissinger
2.	Committee Members	Hon. Gladys Boss Shollei
		Hon. Isaack Lenaola
		Hon. Emily Ominde
		Abdul Omar

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Ref	Position	Name
		CPA Benedict Omollo
		CPA Domsiana Onyango
		CPA Faith Kimani
		Joselyne Ndubi
3.	Scheme Administrator	Chief Registrar of the Judiciary.

c) Key Management

Ref	Position	Name
	Chairperson	Hon. Kakai Kisssinger
	Committee Members	Hon. Gladys Boss Shollei
		Hon. Isaack Lenaola
		Hon. Emily Ominde
		Hon. Abdul Omar
		CPA Benedict Omollo
		CPA Domsiana Onyango
		CPA Faith Kimani
		Joselyne Ndubi

d) Fiduciary Oversight Arrangements

Ref	Position	Name
1.	Chairperson	Hon. Moses Serem
2.	Secretary	Dr. Elizabeth Kalei

e) Registered Offices

Supreme Court Building,
P.O. Box 30041-00100,
Taifa Hall Way,
Nairobi, KENYA.

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

f) Scheme Contacts

Telephone: (254) 0202221221
E-mail: info@judiciary.com
Website: www.judiciary.go.ke

g) Scheme Bankers

Kenya Commercial Bank Limited
Kencom House
Moi Avenue
P.O Box 48400-00100
NAIROBI, KENYA

h) Independent Auditors

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

i) Principal Legal Adviser

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

2. CHAIRMAN'S STATEMENT

The Judiciary established the Judiciary Mortgage Scheme at the beginning of the 2011/2012 financial year with an aim of providing the Judges, Judicial Officers and Staff with mortgage to purchase build their own homes . Since that time, approximately KShs. 67 Million worth of loans have been disbursed to 11 Judicial Officers, Judicial Staff and Judges.

Objectives of the Schemes

The main objective of the schemes is to enable the Judiciary mitigate high staff turnover thus retaining staff and also ensure the judiciary is an attractive employer. The specific objectives are:

- To provide loan facilities at negotiated interest rates to purchase or build houses.
- To provide decent living conditions for employees of the judiciary
- To provide incentive to staff as a means of attracting and retaining a high calibre



.....
Hon. Moses Serem

Chairperson Loans Management

Committee

3. CORPORATE GOVERNANCE STATEMENT.

The Judiciary Mortgage Scheme operations and financial responsibilities are overseen by the Chief Registrar of the Judiciary who is the Accounting Officer. The operations are guided by the approved annual budget based on programs whose performance is monitored through outcomes and outputs. The budget is informed by detailed work plans that translate into annual procurement plans.

The Judiciary has put in place the following standing committees for oversight purposes; Risk and Audit, Budget Management and Implementation Committee. These committees are comprised of Directors and officers co-opted from various directorates. In addition, an internal audit department charged with continuous review of systems of internal control and overall risk management is in place.

Programmes are monitored against set targets and appropriate feedback provided. Operational performance is monitored on a monthly basis through periodic financial reporting of actual expenditure versus budget performance which provides feedback to user's departments on appropriate action plans. Quarterly financial statements are also produced to facilitate continuous evaluation of the overall performance of the Judiciary. The Judiciary prepares annual statutory financial statements which are audited by the Office of Auditor General.

4. MANAGEMENT DISCUSSION AND ANALYSIS

The Judiciary Mortgage Scheme was introduced in the financial year 2011/2012 with initial funds at Kshs.430 Million.

The facility is an exciting benefit to the Judiciary staff and Judges. In this financial year, a total number of 11 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 67,620,720.10.

The Management is hopeful that in the future the scheme will be a revolving that is self-sustaining. To effectively manage the risk, the management took a decision to engage an independent service provider in order to tap their expertise in credit management.

5. ENVIRONMENTAL AND SUSTAINABILITY

The Judiciary's corporate social responsibility is based on the fact that, as part of the Kenyan Society, we have a responsibility to go beyond our legal obligations for the benefit of the society at large.

Our corporate social responsibility entails community engagement, supporting community activities, responding to emerging challenges, donating to charities, helping the needy and application of ethical conduct and participating in matters of topical national interest in Kenya.

6. REPORT OF FUND ADMINISTRATIVE COMMITTEES

The Judiciary has prepared the end of the financial year's Financial Statements for the year ended June 30, 2012.

The Judiciary Loans Management Committee Members

The members of the Judiciary Loans Management Committee are shown on page iii

Auditors

The Auditor General is responsible for the statutory audit of the Judiciary Housing Scheme.

7. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a 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 Scheme is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on June 30, 2012. 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 Scheme, (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 Scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Scheme accepts responsibility for the Scheme'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. The Administrator of the Scheme is of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2012, and of the Scheme's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

In preparing the financial statements, the Administrator of the Scheme has assessed the Scheme'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 Scheme 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 Scheme's financial statements were approved by on _____ 2023 and signed on its behalf by:


.....

Anne A. Amadi
Chief Registrar of the Judiciary


.....

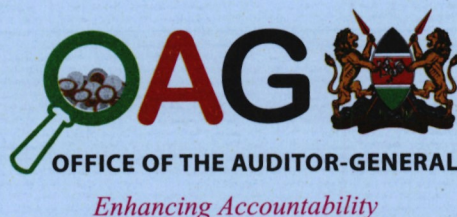
Hon. Moses Serem
Scheme Chairperson


.....

CPA Domsiana Onyango
Scheme Accountant

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 JUDICIARY MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2012

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the Judiciary Mortgage Scheme set out on pages 13 to 33, which comprise of the statement of financial position as at 30 June, 2012, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

The statement of financial performance did not disclose operating expenses incurred during the year including bank charges, commissions and expenses paid to the Scheme administrator. In addition, analysis of loan disbursement and repayment over the years was not provided in the notes to the financial statements.

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

2. Undisclosed Interest on Mortgage Loans Disbursed

The statement of financial performance reflects interest income of Kshs.17,950,106 as disclosed in Note 3 to the financial statements. The amount was in respect of accrued interest on bank balances. However, interest earned from mortgage loans was not disclosed in the financial statements. Further, amortization schedules for the mortgage loans to confirm interest earned during the year were not provided for audit verification.

In the circumstances, the accuracy and completeness of interest income amounting to Kshs.17,950,106 could not be confirmed.

3. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 4 to the financial statements reflects cash and cash equivalents balance of Kshs.380,801,311. The balance includes current account and fixed deposit account balances of Kshs.16,399,106 and Kshs.364,402,205 respectively. However, bank reconciliations, certificate of fixed deposit account and cash books were not provided to support the balance.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.380,801,311 could not be confirmed.

4. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2012 were submitted for audit on 1 February, 2023. This was contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an accounting officer for a national government entity, Parliamentary Service Commission and the Judiciary to prepare annual financial statements for each financial year within three months after the end of the financial year and submit them to the Auditor-General for audit.

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

5. Lack of Enabling Legislation Establishing the Mortgage Scheme

Review of information and documents provided for audit revealed that the Judiciary Mortgage Scheme did not have an enabling legislation establishing the Fund. Management did not provide a satisfactory explanation for the operationalization of the Fund without the enabling legislation.

In the circumstances, the legality of the Fund and its operations could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and the Loans Management 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 control 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 governance.

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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Judiciary Mortgage Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


30 May, 2023

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
JUNE 2012.

Description	Note	FY2011-2012 KShs.
Revenue from non-exchange transactions		
Transfers from other Parent Ministry/ SC/SAGA	2	-
Revenue from exchange transactions		
Interest income	3	<u>17,950,106</u>
Total revenue		17,950,106
Total Expenses		-
Surplus/Deficit after Tax		<u>17,950,106</u>

The financial statements were approved on2012 by:



Anne A. Amadi
Chief Registrar of the Judiciary



Hon. Moses Serem
Scheme Chairperson



CPA Domsiana Onyango
Scheme Accountant



THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

Description	Note	FY2011-2012 KShs.
Assets		
Current assets		
Cash and cash equivalents	4	380,801,311
Non-current assets		
Receivables from exchange transactions	5	67,148,795
Total assets		<u>447,950,106</u>
SCHEME BALANCE		
Mortgage revolving Scheme		
Mortgage Revolving Scheme		430,000,000
Accumulated Surplus (Reserves)		<u>17,950,106</u>
Total net asset and liabilities		<u>447,950,106</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Scheme financial statements were approved on _____ 2023 and signed by:



.....
Anne A. Amadi
Chief Registrar of the Judiciary



.....
Hon. Moses Serem
Scheme Chairperson



.....
CPA Domsiana Onyango
Scheme Accountant

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE
2012

Description	Mortgage Scheme KShs.	Accumulated surplus KShs.	Total KShs.
FY 2011/2012			
As at 1 July 2011	-	-	-
Exchequer Transfer	430,000,000	-	430,000,000
Reserve	=	<u>17,950,106</u>	<u>17,950,106</u>
As at 30 June 2012	<u>430,000,000</u>	<u>17,950,106</u>	<u>447,950,106</u>



.....
Anne A. Amadi
Chief Registrar of the Judiciary



.....
Hon. Moses Serem
Scheme Chairperson

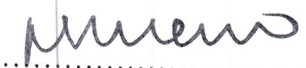


.....
CPA Domsiana Onyango
Scheme Accountant

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2012

Description	Note	FY2011-2012 KShs.
Cash flows from operating activities		
Receipts		
Transfers from other Parent Ministry/ SC/SAGA	2	-
Interest received	3	17,950,106
Total receipts		<u>17,950,106</u>
Net cash flow from operating activities	4	17,950,106
Cash flows from investing activities		
Proceeds from loan principal repayments		471,926
Loan disbursements paid out		(67,620,720.)
Net cash flows used in investing activities		<u>(67,148,794)</u>
Cash flows from financing activities		
Receipts into the mortgage revolving Scheme		<u>430,000,000</u>
Net increase/(decrease) in cash and cash equivalents		380,801,311
Cash and cash equivalents at 1 July		-
Cash and cash equivalents at 30 June		<u><u>380,801,311</u></u>



.....
Anne A. Amadi
Chief Registrar of the Judiciary



.....
Hon. Moses Serem
Scheme Chairperson



.....
CPA Domsiana Onyango
Scheme Accountant

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2012

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	KShs.	KShs.	KShs.	KShs.	KShs.	
	A	b	C=(a+b)	D	e=(c-d)	F=d/c
Revenue						
Transfers from other Parent Ministry/ SC/SAGA	430,000,000	-	430,000,000	430,000,000	-	100%
Interest income	-	-	-	17,950,106	(17,950,106)	>100%
Total Revenue	430,000,000	-	430,000,000	447,950,106	(17,950,106)	100%
Transfers to Scheme Manager	430,000,000	-	430,000,000	430,000,000	-	0%
Surplus for the period	-	-	-	17,950,106	(17,950,106)	100%

(Signature)

.....
CPA Domsiana Onyango
 Scheme Accountant

.....
Hon. Moses Serem
 Scheme Chairperson

.....
Anne A. Amadi
 Chief Registrar of the Judiciary

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

14. NOTES TO THE FINANCIAL STATEMENTS

i) **General Information**

The Judiciary Housing Scheme is established by and derives its authority and accountability from The Judicial Service Act. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is giving loans to staff to help secure Mortgages.

ii) **Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Scheme's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Judiciary Mortgage Scheme

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

i. **New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Standard	Effective date and impact
	<p>users of financial statements for their assessment of the amounts, timing and uncertainty of the Scheme's future cash flows.</p> <p>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 Scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<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 Scheme provides in its financial statements about social benefits. The information provided should help users</p>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Standard	Effective date and impact:
	<p>of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Scheme;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Scheme's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>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>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Standard	Effective date and impact
	<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 <p>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>
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 cash flows of the Scheme.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Standard	Effective date and impact
	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.

ii. **Early adoption of standards**

The Scheme did not early - adopt any new or amended standards in the year 2021/22.

14. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Scheme 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 for each period.

b. Budget information

The original budget for FY 2011/12 was approved on 1st July 2011. 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 Scheme upon receiving the respective approvals in order to conclude the final budget.

The Scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on 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

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 as per the statement of financial performance has been presented under section 4 of these financial statements.

c. Financial instruments

1) 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 Scheme 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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Scheme 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, with less impairment. Amortized cost is calculated by considering 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 Scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Scheme of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Scheme 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 and that loss event has an impact on the estimated future cash flows of the Scheme that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Scheme 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)

2) 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 Scheme 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.

d. Contingent liabilities

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

The Scheme 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.

e. Contingent assets

The Scheme 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 Scheme 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.

f. Nature and purpose of reserves

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

g. Changes in accounting policies and estimates

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

h. Related parties

The Scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Scheme Managers, and Scheme Accountant.

i. 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.

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

j. Comparative figures

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

k. Events after the reporting period

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

l. Ultimate and Holding Scheme

The Scheme is established under Section 24 (4) PFM Act under the Department of State Corporation. Its ultimate parent is the Government of Kenya.

m. Currency

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

1. Significant judgments and sources of estimation uncertainty

The preparation of the Scheme'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.

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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur. (*see 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 is based on the assessment of experts employed by the Scheme

- i) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- ii) The nature of the processes in which the asset is deployed
- iii) Availability of Scheming to replace the asset
- iv) Changes in the market in relation to the asset

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Description	Total amount KShs.	Fully performing KShs.	Past due KShs.	Impaired KShs.
At 30 June 2012				
Receivables From Exchange Transactions-Car loans and mortgages	67,148,794	67,148,794	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	380,801,311	380,801,311	-	-
Total	447,950,105	447,950,105	-	-

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 Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Scheme has no significant concentration of credit risk.

The board of trustees sets the Scheme'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 Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Scheme under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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 Scheme'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 Scheme's Committee is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

Other Disclosures Continued

d) Interest rate risk

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

THE JUDICIARY
MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

e) Capital risk management

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

Description	FY2011-2012 KShs.
Revolving Scheme	-
Accumulated surplus (<i>Reserves</i>)	17,950,106
Transfers in	<u>430,000,000</u>
Total Schemes	447,950,106
Less: cash and bank balances	<u>380,801,311</u>
Net debt/ (excess cash and cash equivalents)	<u>67,148,794</u>
Gearing	14.90%